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JANUARY, 1974

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LATIN AMERICA, 1974

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Current History

JANUARY, 1974

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In this issue, seven articles evaluate the strengths and weaknesses of the nations of Latin America. Writing of the revolution in Brazil, our first author notes that "the revolution has been a dynamic process, taking on new drive and direction with each passing year."

Brazil after a Decade of Revolution

BY ROLLIE E. POPPINO

Professor of History, University of California at Davis

IN MARCH, 1974, BRAZIL will inaugurate her fourth consecutive military President and commemorate the tenth anniversary of the "democratic revolution" that has given the nation a new order of "security and development."¹ The incoming chief executive, General Ernesto Geisel, is something of an unknown quantity. This is not surprising, for in his rise to the presidency he had no need to submit his views to full public scrutiny or to test his platform in the fires of public debate.

But it does seem surprising that after a decade the revolution itself continues to defy precise definition. It would appear self-evident that the Brazilian revolution refutes the once widely held assumption that only a socialist revolution can put the peoples of Latin America on the highroad to economic development, political harmony, and social justice. This is perhaps its greatest appeal. Yet there is no overall consensus on the ideological content of the revolution, or indeed that it has a distinctive ideology. Nor is there general agreement on the amount of support for the revolution within Brazil, or about the influence the Brazilian example may have exerted on other modernizing military regimes in Latin America.

Nonetheless, despite their otherwise disparate views, opponents and supporters of the regime at home and abroad share certain conclusions about the revolution in Brazil. They recognize it as a watershed in the

recent history of the country, and perhaps of Latin America as well. They agree that it has created a new political and economic reality in Brazil. And in their assessments of the changes Brazil has experienced since 1964, admirers and critics alike make it clear that the revolution has been a dynamic process, taking on new drive and direction with each passing year. These qualities of self-renewal and unpredictability mark the process of change in Brazil as a true revolution.

Even though the transformation in Brazil may be accepted as revolutionary, many thorny questions remain to perplex those who wish to fathom the nature and past course of the "revolution" President Geisel must attempt to guide and control. For example, has it been a revolution from the beginning, and if not, when did it become so? How often has the revolution changed direction? Have its original goals been achieved or overtaken by events? If not, are they still attainable? Has the revolution run its course? The search for understanding is complicated by the fact that the word "revolution" has been applied indiscriminately to such a variety of events and circumstances as the seizure of power, the successive revolutionary governments, the programs of those governments, and the general climate for change prevailing in Brazil since 1964.

Each of the revolutionary regimes has insisted upon the coherence and continuity of the revolution of 1964, and each President has sworn to uphold its ideals. There has, in fact, been a remarkable consistency in the announced objectives of the three ad-

¹ The background of this article is based largely on earlier *Current History* articles by Rollie Poppino, Ronald M. Schneider, Richard Graham, H. Jon Rosenbaum, C. Neale Ronning, and Robert Levine.

ministrations, yet with each new President and each new crisis, some goals of the revolution, including such basic concepts as "democracy," "development," and "national security," have been redefined or given different priorities. By and large the revolutionary regimes have not shied away from programs that proved unpopular. At the same time, they have been very willing to expand investments in projects—such as the trans-Amazon highway—that strike a responsive chord in the Brazilian people. Few of the present programs and goals of the government are inconsistent with the views of the revolutionaries of 1964, although they were not necessarily anticipated a decade ago. We cannot know at this point if the revolution has run out of steam, is leveling off, or is about to take a new tack. By the same token, the men who made the revolution in 1964 had no way to foresee that it would follow quite the path it eventually took or that it would endure for 10 years.

When the Brazilian armed forces left their barracks in March, 1964, to depose the floundering administration of President João Goulart, they were engaged in a rescue mission—their fifth in nine years. Once again they had been called upon to resolve a crisis beyond the capabilities of the civilian politicians by curbing or ousting an ineffective chief of state. This time, however, the situation seemed to require a continuing effort. They remained in power to bring order out of economic chaos and to cleanse the body politic of corruption and subversion. They did not call for structural changes in the economy or the political order. They did not advocate change in the social structure.

Thus, their mission was essentially a reformist one, although they called it a revolution and used the term to justify their exercise of power. Their rule was to be authoritarian, arbitrary, and brief. General Humberto Castello Branco, selected by the armed forces' high command and elected to the presidency by the rump Congress, was given just under three years to complete the task. Under his direction, the national Congress and state and local legislative bodies were purged of undesirables, many of whom were also deprived of political rights. At the same time, subversives and agitators were removed from the bureaucracy, labor unions, and the universities without recourse to the courts.

Equally draconian steps were taken to check the inflationary spiral and restore confidence in the economy. These bore heaviest on the working class, whose wages were long held below the rise in living costs. Taxes on the rich and well-to-do were also assessed and collected with a rigor previously unknown in Brazil, while income tax evasion—once almost universal—was elevated to the category of serious crimes. The state undertook major investment programs in the economic infrastructure, coordinated by the new Min-

istry of Planning and financed largely by foreign loans.

A CHALLENGE TO SEVERITY

The severity of the administration's policies alienated many of the civilian politicians and groups who had called most loudly for military intervention against Goulart. When protest at the polls in the gubernatorial elections of October, 1965, seemed to challenge the authority of the regime, the rules of the game were changed to insulate it from the electorate. The government reasserted its right to remove elected officeholders, abolished all existing political parties, and provided for the indirect election of the President and state governors. Two new entities were authorized to replace the old parties. The great majority of federal and state legislators opted to enter the pro-government National Revolutionary Alliance (ARENA), while those critics who survived the new round of cassations grouped in the Brazilian Democratic Movement (MDB). At the same time, the concept of national security was broadened to proscribe many forms of political dissent. The revisions of the political order were codified in the new constitution that went into effect on March 15, 1967.

Prosperity had not yet returned to Brazil by the end of Castello Branco's term, although the worst of the battle to revive the economy was over, and there was widespread feeling that the time had come to restore the government to civilian control. Castello Branco appears to have shared this view. Important elements of the armed forces disagreed, however, and rallied to the candidacy of War Minister Arthur da Costa e Silva. The administration endorsed his campaign rather than risk jeopardizing military solidarity. ARENA supplied the civilian vice presidential candidate and the solid majority in Congress which elected Costa e Silva to the presidency without opposition. The MDB abstained from participation in the presidential election.

Costa e Silva took office in March, 1967, with a promise to "humanize" the revolution, but there was little change in government policies. By 1968, criticism from students, some clerics, and a number of outspoken congressmen became virulent, and a campaign of terrorism was undertaken by small underground leftist organizations. The administration countered with the "revolution within the revolution," which gave the President discretionary authority to deal with what it saw as an internal threat to national security. Its chief instrument was Institutional Act No. 5, of December 13, 1968, whose features included the closing of Congress, suspension of habeas corpus for those accused of subversion, and reassertion of authority to remove dangerous elements from public life. Many of the added presidential powers and tighter national security provisions were subsequently embodied in an extensive set of constitutional amend-

ments, to be submitted for congressional approval.

For a time, the wave of armed assaults against the regime intensified, as Communists and other terrorists resorted to widespread urban guerrilla warfare. The back of the urban guerrilla movement was broken within a year, although frequent skyjackings and political kidnappings continued through 1970. The war against terrorism was accompanied in part of the foreign press by a well-orchestrated chorus of charges of systematic torture of political prisoners in Brazil.

The most serious political crisis since 1964 erupted in late August and early September, 1969, when President Costa e Silva was incapacitated by a stroke in the same week that United States Ambassador C. Burke Elbrick was kidnapped by a terrorist group. Bypassing the civilian Vice President, the military Cabinet members assumed the executive authority, negotiated the release of Ambassador Elbrick, decreed the promulgation of the revised constitution, and presided over the selection of a new President by the armed forces high command. The choice fell to Emílio Garrastazu Médici, a little-known army general who had served as head of the National Intelligence Service. Congress was reconvened to formalize the succession. Once more the ARENA majority voted as a bloc, electing Médici for a term ending March 15, 1974. Again the opposition party refused to present a candidate, and abstained from voting.

Despite the unusual circumstances in which he came to power, Médici has proved to be a highly popular President—far more so than his two predecessors, who were identified with economic austerity and political repression. Médici's reputation cannot fail to be due in part to the real gains of the revolution he personifies as chief of state. During his administration Brazil has recorded unprecedented economic development and important advances toward social justice, accompanied by further concentration of authority in the President. The great bulk of the people have benefited from one or both of the first two accomplishments, while as yet relatively few appear to be disturbed by the latter trend.

But much of Médici's popularity must also stem from his personality and the image he projects to the Brazilian people. He is seen as the epitome of the familiar Brazilian patriarch, sincerely concerned and responsible for the well-being of his extended family. Not even his staunchest critics have questioned his sincerity and concern. During his four years in office, President Médici has conformed closely to the stereotype of the family head who is expected to know and do what is best for those in his charge.

Médici had the good fortune to reach office when

Brazil was on the threshold of the most impressive sustained surge of economic growth in the nation's history.² The dour fiscal and economic policies of the preceding administrations—leading to enforced savings, heavy foreign borrowing, incentives for domestic and foreign investors, and massive public investments in fuels and power, transportation, communications, and basic industries—had borne fruit. All sectors of the economy were ready for explosive growth by the end of 1969.

The pace and direction of the change are reflected in the figures on the national product, income, and inflation. After reversing the negative trend registered in 1963 and 1964, the Gross National Product increased by a respectable 5 to 7 per cent through 1968, well above the rate of population growth, and rose to 9 per cent in 1969. Since 1970, GNP has risen at or above 10 per cent each year. A comparable increase occurred in per capita income, which was on the order of \$200 in 1963 but climbed to \$315 in 1967, reached \$385 in 1970, and was expected to surpass \$530 in 1973. During the same period, the rate of monetary inflation was gradually and deliberately reduced from 86 per cent in 1964 to 20 per cent in 1969. Inflation was cut by approximately 2 per cent annually after that date, with a target of 12 per cent for 1973. Once under way, the economic boom seemed to accelerate spontaneously, as each progressive step encouraged domestic capital formation, enlarged the internal market, improved the nation's credit rating abroad, and attracted additional foreign investments.

Foreign capital has accounted for a major, but declining proportion of the funds invested in the Brazilian economy since 1964, chiefly in the form of loans to the national government. At the time of Médici's election, Brazil had borrowed nearly \$3 billion. Foreign exchange reserves then stood at \$1 billion, and exports were running about \$2.5 billion annually. The magnitude of the economic explosion in the past four years may be seen in the data for 1973, which show a foreign debt of \$10 billion, foreign exchange reserves of \$6 billion, and about \$5 billion in export earnings. Brazil's economic planners have no fears about the nation's ability to repay the loans, which are held to twice the annual export figure. The Médici administration invested the equivalent of \$12 billion—22 per cent of GNP—during 1973 alone. This represents a little more than the total of foreign private and public capital invested or loaned to Brazil in the past decade.

Industry is the most rapidly growing sector of the economy by a substantial margin, advancing at rates of 14 to 17 per cent annually in recent years. The revolutionary regimes have consistently encouraged industrial growth, which is popularly equated with economic development in Brazil. Moreover, since 1964 manufacturing has been left primarily in the

² This survey of the current economic situation is based largely on *Visão, Brazil Report 1973*, pp. 10–20, and on *The Times* (London), October 18, 1973, special section on Brazil.

private sector, and has proved relatively more profitable in the short term than other areas of the economy. For these reasons, industry has attracted by far the largest share of domestic private investment and the bulk of the nearly \$2 billion of private foreign investment in Brazil. São Paulo continues to dominate the field, but in response to tax incentives and other concessions by the government there has been a considerable spread of industry to the outlying regions, particularly the Northeast. Brazilian manufacturers have gone far beyond mere import substitution to produce, for the domestic market and for sale abroad, all but the most sophisticated space-age items that require highly advanced levels of technology. Manufactured goods, ranging from clothing to refined sugar, accounted for 28 per cent of Brazilian exports in 1972, surpassing coffee as a source of foreign exchange.

In large part, the emphasis on industrial expansion has been designed to reduce Brazil's long-standing heavy dependence on coffee as her principal source of revenues. But the program to diversify exports has by no means been restricted to industrial goods. The spectacular growth of industry has tended to divert attention from the almost equally impressive growth of the traditional economy. The output of minerals and of ranch and plantation products has more than kept pace with internal demand, leaving a large surplus for sale abroad. The opening of the Amazon region has led to the discovery of the vast Carajá iron deposits, which may double the nation's known reserves. Brazil is already one of the world's chief suppliers of iron ore from her holdings in Minas Gerais, and plans to increase exports as the northern field is developed.

Agriculture continues to provide well over half of Brazil's exports, and coffee remains the single most valuable export item, although it accounts for a smaller percentage each year. Beef and soybeans are beginning to figure prominently among Brazilian exports, but perhaps the most striking change is the appearance of sugar as an important commodity on the nation's export list. Under the stimulus of the regime's trade and development policies, the sugar industry has been modernized, and for the first time since the seventeenth century Brazil has become the leading producer of sugar in the world. It intends to be one of the major sugar exporters as well.

Such rapid, broad economic growth presumes the existence of an infrastructure that provides the abundance of steel, fuels, electric power, communications, and transportation facilities indispensable to a thriving modern economy. In each of these sectors the government has sole or primary responsibility for the continuing programs of construction and expansion required to meet the rising demand. Some 40 per cent of the federal revenue is spent on public works,

chiefly highways, short-haul railroads, port and maritime transport, and new hydroelectric projects. Large additional sums are dispersed through such state corporations as Telebrás, for communications; Petrobrás, for oil and petrochemicals; and Siderbrás, the new agency to regulate steel production. To date, advance planning and coordination by the central government have prevented serious bottlenecks, although some projections have proved overly modest. The output of steel, for example, is running about two years ahead of the government's forecasts, and is now expected to reach 20 million tons annually within five years.

The foreign policy of the Médici administration is inseparable from the drive for economic development, which is seen as essential to assure Brazil her destiny as a world power. Diplomats and businessmen are pressing an aggressive campaign to open and expand markets for Brazilian products throughout the world, while the regime is looking beyond national borders not only for further investment funds, but for additional sources of fuels and electric power to sustain the high level of industrial growth. To these ends, in 1973 two large groups of Brazilian manufacturers toured the countries of tropical Africa, while two separate delegations of exporters visited Communist China, and some three hundred exporters represented Brazil at the world trade fair in Belgium; the finance minister launched a new bond issue in Japan; Petrobrás acquired drilling rights in several African and Middle Eastern states; and the foreign ministry opened a permanent trade office in Moscow, completed an accord with Poland for a large-scale exchange of iron ore for coal, established diplomatic relations with the German Democratic Republic, and kept its chief busy with state visits in Africa, the Near East, and South America.

President Médici himself engaged in the diplomacy of development with visits to Portugal—which is uniquely situated to advance Brazil's aims in both Africa and the European Economic Community—and to Venezuela, where Brazil hopes to increase exports and obtain substantially larger imports of petroleum. Trade talks with Venezuela are continuing. During 1973, also, Brazilian negotiators discussed bilateral arrangements with three neighboring states to exploit untapped fuel and power resources. Still under negotiation are a venture with Colombia to mine and export coal, and a proposed project in which Brazil would assist Bolivia to develop her reserves of natural gas, primarily for export to Brazil. Final agreement was reached with Paraguay for the construction of the world's largest hydroelectric complex at Itaipú on the Paraná River between the two countries. Itaipú is expected to meet southern Brazil's electric power needs for the remainder of this century.

Brazilian expectations for continued rapid economic

development and concomitant world power status are based on the premise that the nation will be able to make effective use of all its physical and human resources. This goal has only seemed possible of achievement within the past generation, and has certainly not yet been attained, but is being actively pursued under the programs of national and social integration launched in 1971. National integration is based on foundations laid in the 1950's and strengthened by the revolutionary regimes of the 1960's. It seeks to open, settle, and develop vast empty stretches of the interior and to draw the residents of the small, isolated communities along Brazil's jungle frontiers into the mainstream of the national culture. Hence the heightened emphasis on highways of penetration, systematic aerial and geological surveys, colonization plans, extension and modernization of the communications network, and a broad range of projects to raise living levels and provide new economic opportunities in the northern and western regions of the country.

The territorial sea, which Médici extended to its present 200-mile limit, is also being searched for potential natural resources. In consequence, the very map of Brazil and the list of her resources are being changed. The surveys have already revealed the existence of one large, previously undetected river, as well as important iron, tin, and coal deposits in the Amazon basin, while one new offshore petroleum strike was reported in 1973. The national integration program can hardly fail to have some military or geopolitical overtones, but its primary objective is to incorporate all of Brazil's territory and inhabitants into the nation, and to bring them within the purview of the central government.

SOCIAL INTEGRATION

The first seven years of the revolution were lean years for the Brazilian poor. There is no question that after 1964 the rich in Brazil were getting richer and real income was rising sharply for those with education or skills in short supply, while the poor and unskilled were losing purchasing power. Médici himself acknowledged the situation during his first months in office with the oft-quoted remark that "the economy is doing well but the people fare badly." Among his remedies was the social integration program, which he designed specifically to reduce imbalances in the distribution of income between social classes and to make more of the tangible and intangible benefits of the revolution available to the workers of Brazil. Its broader aim is to convert the traditionally underprivileged sectors of society into capable and enthusiastic participants in the crusade for

national development. Under its aegis, minimum wages have been raised faster than the rise in living costs, and a system of deferred income has been instituted from which low income families may draw to meet major expenses. In a similar vein, social security has been extended to virtually all wage earners, rural and urban. The regime has pledged massive new investments to overcome perennial deficiencies in housing and public health. Together with education, these services will receive over \$16 billion in budgetary support during 1973 and 1974.

From the beginning, the Médici administration has placed great stress on education, which now absorbs nearly one-fifth of the national budget. Not only have many new schools been built at all levels and in all sections of the country, but the educational system has been revamped, in part to emphasize the teaching of science and technical subjects. Altogether, some 26 million students—representing one-fourth of the population of Brazil—were attending schools in 1973, and several million additional persons took part in classes offered by the adult literacy campaign during the year. The literacy rate is currently estimated at 70 per cent or higher in Brazil.

The government keeps the Brazilian people closely informed about the accomplishments of its economic and social programs in a well-mounted publicity campaign that appeals to their national pride and seeks to give them a sense of personal identification with the revolution. A recurrent theme is that all Brazilians should share a common view of the national destiny and should be united in support of the measures the government adopts to achieve that destiny. This ideal was perhaps best expressed by President Médici in a speech to the nation on the ninth anniversary of the revolution. At that time he stated:

Uniformity in thought and action is the principal reason for the speed and efficiency with which our country is being modernized and the bonds of solidarity between Brazilians are being forged. . . . It is thus that Brazil has found the paths which lead to its inevitable destiny of greatness. . . .³

POLITICAL RESTRAINTS

Médici's approach leaves little room and acknowledges little need for public discussion and partisan debate over policies, priorities, or alternative programs to resolve national problems. In fact, during his

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³ "Latin America & Western Europe," FBIS, Daily Report, April 2, 1973.

"Chile's present rulers may try to imitate Brazil. But they may end up like the Argentine military—discredited, demoralized, incapable of ruling and only too glad to surrender political responsibility."

Counterrevolution in Chile

BY ALAN ANGELL

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ON TUESDAY MORNING, September 11, President Salvador Allende met his death while resisting a successful military coup to overthrow his government. If his death was unexpected, the coup was not. Ever since the lorry owners launched their second (and even more obviously political) strike against the government three months earlier, neither the right nor the left in Chile expected that the government could last. Yet the brutality of the counterrevolution came as a shock. The hopes of the Chilean left that revolution can be combined with democracy may be set aside for a very long time. Yet it seems equally clear that the hopes of the Chilean center for a return to constitutional normality will be frustrated. The new rulers already speak of three years of military government.

When Allende was elected to the presidency in 1970, world attention focused on Chile, the first country to elect a Marxist to the highest executive post in a free and democratic election. But he was just barely elected. Almost two-thirds of the electorate preferred the other candidates, Jorge Alessandri, a former President supported by the right-wing National party, and Radomiro Tomic, a left-wing leader of the generally center reformist Christian Democratic party. Tomic's own program was not far short of Allende's in its commitment to reform, but it was clearly not true that the bulk of the Christian Democratic party was committed to the drastic and rapid pace of Allende's first measures.

With the seemingly successful start of the new coalition government, Radicals, Socialists, Communists and their minor allies, organized in the Popular Unity movement (UP), obtained half the votes in municipal elections held shortly after Allende's victory. But municipalities lack power in Chile. Although in congressional elections held in March, 1973 the combined forces of the government won support from 44 per cent of the voters, Allende never had a majority in Congress. After a honeymoon year when more social and economic reforms were enacted than

seemed possible, problems rather than progress consumed the attention of the government. The opposition grew confident and united; the governing coalition became divided and uncertain. Allende consolidated his support in the working class—much to the surprise of outside commentators who listened only to the laments of the middle class. But he failed to capture the support of the petite bourgeoisie; indeed, the violent opposition of that class contributed in no small measure to his downfall. As the reform process faltered and the economy deteriorated, politics took to the streets. Extremism and violence (by no means so alien to the Chilean scene as national publicists would have us believe) intensified and drew the military and the police deeper and deeper into the running of the country.

ALLENDE'S PROBLEMS

Not even the most enthusiastic supporter of the government could claim that the country was well run. Traditional habits of Chilean bureaucracy—inefficiency, red tape, sectarianism—look no better for being discovered on the road to socialism. Shortages of food and endless queues, daily price increases and a widespread blackmarket were hardly advertisements for the government. Yet it is too easy to write as if the problems were all of Allende's own making. Inflation is hardly a stranger to Chile, though a record acceleration in the cost of living promised to end in a 500 per cent increase for 1973. Although Allende inherited a favorable balance of payments situation and large foreign reserves in 1970, he also inherited an enormous foreign debt. The Christian Democratic government of Eduardo Frei benefited from a very high world price of copper and relatively low world food prices. After 1970, copper prices fell by a quarter, and food prices rose sharply. There were some much-needed credits from the Communist bloc, but not enough were in hard currency to counteract the adverse change in the international terms of trade for Chile, and the virtual closure of the traditional

sources of credit. The United States, unlike European creditors, would not allow debt renegotiation. Loans from American-dominated international agencies, such as the Inter American Development Bank, either stopped or were reduced to a trickle. In 1973, Chile was paying more to the World Bank than she was receiving. The government had to resort to massive short-term borrowing. Its total short- and long-term public debt is estimated to have risen from US\$2.3 billion in December, 1971, to \$3.0 billion in December, 1972.¹

Copper prices started to rise in 1973. But although production had not fallen in the first two years of Allende's rule (two new mines were brought into production), serious labor disputes in the *El Teniente* mine in 1973 stopped production there for well over two months. The problem for the government was that food imports were costing so much that even a sharp rise in the price of copper would hardly have been sufficient. The landowners' National Agricultural Society (SNA) claimed that food imports rose from US\$170 million in 1970 to \$444 million in 1972, and that they were likely to double that figure in 1973. Of course, the amount of food imported would not have risen in anything like the same proportion—meat and cereal prices have shot up in 1973—but the government's commitment to income redistribution hardly permitted it to deflate, create unemployment and freeze wages. The new military government can and will take all these actions and will receive ample credit on good terms from the United States. It will deserve no praise for better economic management, for these short-term measures may bring about temporary stability but they also recreate all the old problems of inequality and injustice that the Allende government was trying to solve.

A KEYNESIAN MODEL

The economic model of the Allende government was in many ways more Keynesian than Marxist. It relied on a massive consumer boom brought about by substantial income redistribution. This, it was hoped, would reduce unemployment and stimulate investment in those sectors producing goods for the working classes rather than luxury products for the rich. Unemployment certainly fell sharply—down to 2.5 per cent of the work force in March, 1973. But new investment was not forthcoming. The private sector was hardly in a mood to invest, given the widespread takeovers of factories by government and workers. And the public sector lacked the necessary capital. In the first year, production did rise by 15 per cent,

but that involved using up stocks and bringing into use spare capacity. Much industrial capital and machinery had to be imported, and with the general shortage of foreign exchange, it was difficult enough to service existing industry, let alone provide for new investments. Although the private sector had lost many key enterprises to the "Area of Social Property" and although banking was controlled by the government, about three-fourths of total production in industry still remained in private hands. With a climate of general insecurity, with considerable harassment from the left, with price controls and wage increases, it is hardly surprising that private enterprise dragged its feet along the road to socialism.

The failure to match demand with supply, the generous provision of social services, enthusiastic hand-outs of credit, and large wage increases led inevitably to inflation. The government printed money so rapidly that the mint could hardly keep up. The fiscal deficit in 1972 was equal to 40 per cent of fiscal expenditure. The total amount of money in circulation grew by 215 per cent between July, 1972, and July, 1973.² Most of the increased liquidity went to finance the operations of the growing public sector.

The government's position in early 1973 looked bleak. Chile's external debt had risen to \$2,991 million, but the import bill continued rising—up 11 per cent during the first half of 1973 compared with the similar period in 1972. Perhaps there is little point in continuing to pile up the gloomy statistics. The question is how far the government was to blame, and how much the government could have done to have stopped the process.

For every adverse statistic that the opposition produced, the government could produce either a more favorable one or an explanation that blamed the factors outside its own control. These arguments should not be dismissed as whitewash. For example, the opposition alleged that agricultural production had fallen disastrously. But the government's claim that this was largely because political opponents blocked the distribution process has received some support in view of the sudden reappearance in Chile after the coup of many items that supposedly had been already consumed or were not available. At any rate, the amount of trading on the black market must have made any calculation subject to enormous errors.

The government could also point to the grave handicap of the intransigent attitude of the opposition majority in Congress. Congress would not allow the government to reform the tax structure so that more revenue could be raised by taxing the rich. Congress refused to approve the government's attempts to impose heavy penalties for economic crimes, such as black market operations in foreign exchange, even though such operations had become so lucrative that the gap between the official and the black market

¹ L. Whitehead, "The Chilean Escudo," *International Currency Review*, Nov.-Dec., 1973. By the end of 1973 it could have reached \$3.5 billion. (Billion is used as equal to one thousand million.)

² *Bolsa Review*, October, 1973, p. 495.

rate for dollars had risen from 4 to 1 in 1972 to over 10 to 1 in early 1973. Cooperation between the parliamentary right and the professional groups grew closer, and while it might be argued that the first "bosses" strike of October, 1972, did express genuine economic grievances, at least at first, it is clear that the second strike just before Allende's downfall was aimed precisely at the overthrow of the government.

Could Allende have changed policy? It is difficult to see how. Given the nature of his own coalition and the intense polarization of Chilean politics by 1973, Allende's political tightrope walk became increasingly precarious. The Communist party wanted consolidation, a deal with the Christian Democrats, an end to ultra-leftism, to factory seizure and estate invasion. The Socialists, although they rarely spoke with one voice, demanded "advance without compromise," an increase in the speed of the revolutionary process, a more militant spirit and greater popular mobilization (although it may be wondered who was left to mobilize). Intoxicated by the formal possession of political power, the Socialists had little sense of its dangers and limitations. The extreme Revolutionary Left Movement (MIR) acted where the Socialists merely advocated. They saw violence as the midwife of the revolution and the armed forces as the impediment to true socialism. After three years of increasing tension and division into left and right camps, the middle-class Radical party had dwindled to electoral insignificance and political impotence.

THE MURDER OF A GOVERNMENT

On September 11, 1973, the military claimed that Allende had committed suicide. But why should he? There is the precedent of President Balmaceda, admired by Allende for his nationalism and anti-imperialism, who did commit suicide in 1891. But that was after his forces had lost a civil war, and the result was two decades of the gleefully corrupt rule of a parliamentary oligarchy. It seems more in character for Allende to have died fighting. He was, after all, a lifelong fighter, proud of his role in founding the Chilean Socialist party. In a party characterized by the bitterest of disputes over the most abstract of theoretical issues as well as the rather more mundane matter of personalities, Allende stood out because of his conspicuous loyalty and devotion to his party and his principles. Allende was a democrat; the new military rulers are not. Allende did not disband Congress, outlaw parties, authorize political executions, persecute ideas, burn books, imprison thousands, impose military rule in the universities; the new military junta has done all these things.

The debate over whether it was suicide or not is perhaps less important than it seemed immediately after the coup. Allende's widow now believes that her husband committed suicide, and the military for-

bids examination of the body. The military rulers show little regard for truth in their campaign against the left, so there is no reason to accept their word. One can assume that they were prepared to kill Allende if he resisted. And they were absolutely determined to murder what he stood for.

COULD THE COUP HAVE BEEN AVOIDED?

Allende was aware of the crucial importance of the military and he actively sought their support. He paid them well and met their requests for equipment. He flattered them with references to their devotion to the country, their civic pride and their loyalty to the constitution. In return, the armed forces assisted the government by resolving the first lorry owners' strike in October, 1972, and their continuing presence in the Cabinet was the guarantee of free and fair elections in March. Allende pressed them to remain in the Cabinet, but fearing criticism and disunity in the armed forces they withdrew.

The second strike of lorry owners in July, 1973, brought them back. But the situation had changed. The army was no longer behind the Commander-in-Chief, General Carlos Prats, and he withdrew from the Cabinet and resigned his command. Military officers started to enter and leave the Cabinet almost as frequently as civilians; and other officers began to plot. The presidential palace was surrounded by tanks in June, but that conspiracy fizzled out. A left-wing mutiny of sailors in the Navy was easily contained, but officers were incensed at the foolish remarks of Socialist Senator Carlos Altamirano when he accused them of torturing the rebels. (Whether his allegations were well founded or not is not the point; he should have remembered Goulart's similar mistake in Brazil in 1964.) The air force resisted and resented the dismissal of its commanding officer.

The armed forces could hardly have stood aside while the political and social tensions grew. The fascist *Patria y Libertad* (Fatherland and Freedom) became actively involved in sabotage and assassination. In at least a few factories, workers began to collect arms. The copper miners on strike had fought with other workers and with students in the streets. Lorry owners demonstrated against the government. Doctors went on strike (except for private patients, of course). Congress called for the resignation of the government.

In a last desperate attempt to find a political formula, Allende opened conversations with the Christian Democrats once again. But the Christian Democrats demanded too many reversals of policy and too much power for Congress as opposed to the executive. The left of the UP coalition could not have accepted such compromises with its basic objectives. Were the Christian Democrats serious in their dialogue with the government? Or were they playing for time while

the military made their plans? Many Christian Democrats would be deeply offended by the last question, but the immediate response to the coup by the right-wing leaders of the party shows that they accepted and even welcomed it. Former President Eduardo Frei was unceasing in his efforts to increase the political temperature, even while (to their credit) other leaders like Bernardo Leighton and Renán Fuentealba were trying to lower it.

Allende's first two years saw an impressive mobilization of the left in Chile; the year before the coup saw an equally impressive mobilization of the right. Mutual suspicion reached such a level that an allegation from the other side was disbelieved simply because it came from the other side. After the successful middle class strike of 1972, the National party, the Christian Democrats, the extreme right, and the entrepreneurs, both big and small, combined in an almost irresistible force. They could stop the government in almost any action. Women were especially prominent and active in urging all-out opposition. Their prayers were answered on September 11.

THE MILITARY JUNTA

The military acted in unison to overthrow the government. Early analogies with the Spanish Civil War are misleading because, unlike Spain, there was only civilian opposition to the armed forces. But there is an analogy with Spain—during the period after the Civil War when the crusade against communism was fought as the Inquisition fought an earlier heresy.

The four military rulers of Chile are very much professional soldiers. They dislike all politicians, but despise Marxists. They feel that if they condemn an ideology and persecute its adherents they may secure its permanent exile from Chile. They see their mission as one of national recuperation, but define it largely in negative terms—against Marxism, against any political parties, against participation, against Congress, against a free press. They do not hesitate to execute and imprison members of the opposition. It is impossible to calculate the number of men and women who have been killed, either while fighting the regime or by execution after summary military justice.

The new rulers, and the press they allow to appear, have mounted an enormous campaign to discredit the past government, largely in terms of personal corruption and wicked plots. Allende, we learn, drank a great deal of whisky, read pornography as well as Che Guevara, had mistresses, and was training to be a guerrilla (no wonder he had so little time to run the country). The MAPU party specialized in corruption entailing the sale of imported cars at fabulous profits. The former director of the Chuquicamata copper mine was caught while fleeing to the Argentine border carrying, apparently, so many dollars and

escudos in his suitcases that it would seem likely that he needed the assistance of one of Chuquicamata's giant tractors. He will spend 13 years in prison.

And then there was Plan Zeta. It is charged that the day before the *Fiestas Patrias*, on September 18, a massacre of all leading generals, admirals, and politicians hostile to the regime had been planned. The mastermind was allegedly Joan Garcés, a young Catalan political scientist with a doctorate from Paris. The army saved the nation from this catastrophe. In Plan Zeta, the Chilean army has produced a forgery worthy of the Protocols of the Elders of Zion.

But such vivid imagination is necessary. Unless the military can show that the left—notably foreign extremists, of course—had such diabolical designs, it becomes difficult to justify the substitution of military authoritarianism for a regime which, for all its faults, was a democracy.

The economic policy of the regime is in the hands of those who lost control in 1970. Enterprises will go back to their owners; foreign capital will enter again, even perhaps into the copper mines. Rigid austerity programs are being devised for the poor. The state will once more revert to its traditional role of ally of capital, not labor. The major union confederation, along with the Marxist parties, has been abolished, and its leaders are either in hiding, in exile or in prison. A new corporatist constitution is being devised. All universities are under military rectors. Thousands of students and teachers have lost their positions as subversive institutions, like the Technical University, undergo "reorganization," and subversive disciplines like sociology are declared unworthy of study.

What vision of Chile do these people have in mind? The obvious comparison is with Brazil, but it is difficult to see how Chile can emulate Brazil's performance. Chile is not that attractive to foreign capital, and she has nothing like the natural advantages or market size of that country. Chile has a much more politicized working class which, now stunned, may still cause a lot of problems. Chile's present rulers may try to imitate Brazil. But they may end up like the Argentine military—discredited, demoralized, incapable of ruling and only too glad to surrender political responsibility. For the sake of Chile, let us hope that the military can learn faster than they did in Argentina that to overthrow democracy is one thing, to rule in its place quite another.

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"Having abandoned their lofty revolutionary ideals . . . , and having become more realistic by formulating less ambitious socio-economic goals, Cuban leaders in a way have strengthened their hold on the country. But apparently they have not yet reached a stage of self-confidence advanced enough to allow them to open the doors of the island to streams of inquisitive foreign visitors and even to nostalgic exiled compatriots.

Cuba Fifteen Years Later

BY GEORGE VOLSKY

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As CUBA ENTERS 1974, the fifteenth year of the Castro rule, an atmosphere of aimlessness and ennui permeates the once politically excited Caribbean island. On the surface it would appear that nothing much has happened in Cuba since 1970.

Viewed from a historical perspective, 1970 was a very significant year. For the government of Premier Fidel Castro it was the year of the much publicized 10-million-ton sugar harvest. For Castro's detractors, 1970 was the year of his most daring and disastrous politico-economic gamble to date. For history, 1970 might well be the year of the end of the mystique of the Cuban Revolution.

Although undramatic and not easily discernible, a number of changes have occurred in Cuba in the last three years, especially after Premier Castro's July 26, 1970, speech conceding his own and his subordinates' fault in failing to attain the 10-million-ton sugar production goal. First of all, it seems plain that government efforts to forge a *sui generis* Cuban model of a Marxist state have been virtually abandoned. Except for a few homogeneous political and social trimmings, Cuba has become just one more Soviet bloc country. In July, 1972, she joined COMECON, the Soviet bloc's integrated economic organization, merging into the Soviet economic and planning mold.

Second, the charisma of the aging, though still robust, "Maximum Leader" has been on the wane. No new, brave ideas have been launched by Premier Castro in years. No more grandiose socio-economic plans have emanated from Havana. Socialist Cuba has become stable, her leaders predictable, and her population fatigued by years of haphazard Marxist experimentation. Third, and just as important, the revolutionary élan, which distinguished the Castro movement from other Latin American radical political

groupings, appears to have vanished in the process of governmental attrition.

This new reality has given a distinct, somewhat low key-character to the country's foreign policy and to its attempts to solve internal political, social and economic problems. Cuba's Communist leadership, made up practically of members of the same group that seized power in 1959, has adjusted to the "post-revolutionary" period. Governmental leaders, men in their late forties or early fifties, have shown no inclination to let "new blood" into top Communist party or Cabinet ranks. Privately, they probably would prefer their nation to be politically and economically independent. But publicly, they increasingly pay heed—and indeed homage—to the country that has for years ensured their (and Socialist Cuba's) survival: the Soviet Union.

In line with Cuba's more methodical approach to international issues, the process of "socialist institutionalization," which began in October, 1965, with the creation of a Constitutional Commission of the ruling Communist party of Cuba, has progressed slowly and without fanfare. Although the commission was instructed to draft a new Constitution of Socialist Cuba, it did little during the next four years. In 1970, the Cuban government apparently changed its mind about the nature of the institutional modifications it wanted to put into effect. The Constitutional Commission was renamed the Juridical Studies Commission, and since early 1971 its principal task has been to revamp the nation's legal system, principally Cuba's penal and civil laws. At the close of 1973, the Juridical Commission continued to study various modifications of the pre-1959 penal and civil statutes, and its goal of defining the concept of a new "socialist legality" was still not within sight.

Judging by the tenor of the commission's work so

far, the emphasis in the new Cuban legal system is on the strict observance of "law and order." One of the new laws enacted in May, 1973 (by the Council of Ministers which in Cuba holds both executive and legislative functions), lowered the age of penal liability from 18 to 16 and established severe punishments, including the death penalty, for "crimes against the normal carrying out of sexual relations, crimes against the family, children and youths and crimes against the national economy."¹

The important aspect of the legal responsibility of top government leaders has not been yet decided, and they appear to have been placed legally in a different category from that of ordinary Cuban citizens. "With the exception of the President of the Republic, the Prime Minister, the members of the Council of Ministers and the Political Bureau of the Communist Party of Cuba and the Attorney General of the Republic, all other citizens regardless of their political or administrative post will be tried directly by the ordinary courts," said the Cuban official news agency *Prensa Latina* in its July 1, 1971, press release about the new legal system. It is presumed that Cuba's top leaders would be tried by special Communist party tribunals.

Perhaps more meaningful progress has been made by the Cuban regime in organizing the Communist party, which also received its basic structure in October, 1965. Following the Soviet model, the party's highest executive bodies are its eight-member political bureau and the eleven-member secretariat, both headed by Fidel Castro. In early 1973, the secretariat was expanded from six to eleven members, apparently to make it more functional. Both the politbureau and the secretariat are supposed to be elected by and responsible to the party's 100-member central committee. (The exact size of this body is not known, because Havana has not updated its membership list since 1967.) But in practice, the secretariat, two-thirds of whose members are Castro's military commanders, has had little effective power.

The party's pyramidal organizational model has remained unchanged since 1965. Party secretariats were then set up in each of Cuba's six provinces, which in turn supervised smaller party secretariats in counties, cities and city wards. Party cells were also organized in practically all centers of work and in military units. In 1968, in an effort to bolster the provincial party structure and to enforce greater supervision of central party bodies, politbureau delegates, who outrank the regular party secretaries, were introduced on provincial and even county levels.

The process of choosing and promoting party cadres has always been a thorny problem for the Communist party of Cuba. As a general rule, party membership

has been a reward for outstanding production performances and unquestionable acceptance of government policies. This has ensured a membership of considerable physical skill but not one endowed with intellectual capacity for governing and decision-making, which is the party's role in Cuba. As a consequence, the party has continued to be affected by what the Cuban newspapers call "a low cultural level of militants." Several party schools have been created to improve the cadres' educational and cultural standards.

Even though Havana has not yet announced the date of the First National Congress of the party, an institutional landmark for Communist parties all over the world, in the last two years a vigorous effort to enlarge the party's cadres and to improve its functioning has been made. Curiously, the details of the Cuban party's internal evolution came not from Havana but from Moscow, where the publication *Partiynaya Zhizn* on April 10, 1973, printed an article entitled "Vanguard of the Cuban People." According to the Soviet account, "the Communist party of Cuba is presently becoming a more and more integral and monolithic body. An acknowledged vanguard of the Cuban People . . . is emerging. With every year, the party is politically and organizationally reinforcing its ranks and strengthening its influence over every major area of social life. . . ."

Gaining in authority, the party has also been increasing numerically, the Soviet publication reported. About 100,000-members strong by 1970, in 1972 the party ranks grew by 12 per cent as compared with 1971, and its roster (party candidates apparently excluded) reached 153,000 by March, 1973. Party leaders have decided to recruit more industrial workers for the organization. Since in Havana province alone in early 1973 about 30,000 persons were being trained for party membership, by the end of the year the national party strength could top 200,000.

By early 1973, the Communist party had 14,360 primary organizations and 401 municipal, 60 county-wide, and six provincial secretariats, according to the Moscow journal. Because of their higher intellectual caliber and governmental status, the primary party cells in the ministries and central state agencies have been placed under the direct supervision of the party's central committee and its secretariat.

More important, the party modus operandi—previously unstructured—has been formalized. A system of routine reporting by the party committees to the superior bodies has been implemented. Every year, at all levels up to the provincial, party conferences are being held. The politbureau meets regularly on a bimonthly basis and the secretariat meets weekly. The party is striving to obtain a more precise separation of the prerogatives and responsibilities of its officials and those of state agencies. This prob-

¹ *Granma*, Havana, May 26, 1973.

lem, endemic in all Communist countries, has apparently not been resolved to the entire satisfaction of Cuban party leaders.

Suggesting a growing Soviet role in the reorganization and strengthening of the Communist party of Cuba, the Moscow publication concluded its April 10, 1973, article on Cuba by stating:

The mutual understanding and ties between Soviet and Cuban Communists are now continuing and expanding. Direct contacts are being formed between representatives of both parties at all levels, and visits by delegations are being arranged together with an exchange of experience in various branches of Socialist and Communist construction.

And Fidel Castro, in his July 26, 1973, speech, declared: "Men die but the party is immortal."²

NEW GOVERNMENT STRUCTURE

Late in 1972, Cuba also announced the most far-reaching revamping of her government structure since 1959. Under the sweeping changes, Premier Castro, President Isvaldo Dorticos and seven newly created Vice-Premiers were for the first time given specific and broad executive responsibilities. The nine, in addition to First Vice-Premier and Defense Minister Major Raul Castro, formed a new "executive committee" of the Council of Ministers.

The changes were tantamount to the institution of a collective leadership, at least for managing the economy and most administrative matters. The new government structure, Havana said, was introduced

to facilitate the direction, coordination and control of multiple central state administrative agencies, and to create better conditions that would permit the Prime Minister to devote his best attention, and in a more regular manner, to achieve greater unity and organization of our state.

The executive committee, Havana suggested, would enforce—indeed institutionalize—government centralization in Cuba. As part of the reorganization of the Cabinet, similar executive committees were established in the six provinces and in some of the larger countries. The local committees, described as having an "eminently coordinating character," were entrusted with following the "orientation and directives" issued by Havana. "These directives cannot be altered under any circumstances without prior knowledge and approval of the pertinent central authority," the government announcement said.³

The new government structure divided Cuban official life into the following nine groupings: 1. defense, security and the non-sugar agricultural sector; 2. planning, banking and trade relations with non-Com-

munist countries; 3. the construction sector; 4. transportation and the communications sector; 5. basic industries; 6. the consumer goods sector; 7. education, culture and science; 8. foreign affairs; 9. the sugar sector. In all, the Council of Ministers was made up of 27 ministries and ministerial-level independent agencies. Under its supervision, at a sub-Cabinet level, were 17 independent agencies, such as the Book Institute and the Cuban Tobacco Enterprise.

Although Vice-Premier Carlos Rafael Rodriguez was put in charge of the foreign relations sector (which includes the Ministry of Foreign Affairs, the National Commission of Economic, Scientific and Technical Collaboration with Soviet Bloc Countries and the Cuban Institute of Friendship with Peoples), Premier Fidel Castro has been the most visibly active in formulating and executing Cuba's foreign policy. (Castro's responsibility under the governmental "division of labor" has been the defense sector. The Premier, who used to make and announce economic plans, in the last two years has refrained from publicly discussing the state of the Cuban economy.)

AGGRESSIVE FOREIGN POLICY

Practically the very day Premier Castro came to power, Cuba adopted an aggressive foreign policy posture. In the first seven months of 1959, abortive attempts to invade Haiti, Nicaragua, the Dominican Republic and Panama were carried out with direct Cuban support. These militarily inept and politically undefined adventures later gave way to a more clearly articulated foreign policy, especially directed at Latin America, and in 1960 Cuba launched a slogan, later repeated by her powerful propaganda apparatus, that "the duty of every revolutionary is to make revolution."

In the course of the next few years, Premier Castro was too preoccupied with internal and international problems, among the latter the October, 1962, missile crisis, to dedicate much attention to Latin America. In the middle 1960's, however, an all-out effort was made by the Cuban government to make Havana the Mecca of the Latin American revolutionary movement. For a few years, at least, Havana tried to give theoretical, strategic and tactical directives to Latin Marxists. Cuba also dispensed material aid to various leftist movements in the Southern Hemisphere and claimed the right to pass judgments and decide which Latin American leftist leaders were "true revolutionaries" and which were "renegades," pseudo-revolutionaries," and "rightists."

In January, 1966, the Tricontinental Conference of the Asian, African and Latin American Peoples' Solidarity Organization was held in Havana. It created a branch called the Latin American Solidarity Organization (LASO), which formally pledged to

² *Ibid.*, July 27, 1973.

³ *Ibid.*, November 26, 1972.

"unite, coordinate and impel the struggle against North American imperialism" in Latin America.

LASO, with headquarters in Havana, was an important instrument of Cuban foreign policy for about four years. During that period, Castro's most trusted aide, Major Ernesto Guevara, tried and failed to overthrow the government of Bolivia by organizing a small guerrilla group there. Castro not only aided his faithful supporters in Latin America but also scathingly attacked his leftist opponents. In 1967, he charged that some Latin Communist leaders were trying to depose him and moderate the policies of the Cuban revolution. He described them as a "pseudo-revolutionary Mafia," part of a "real international conspiracy against Cuba" spearheaded by the Venezuelan Communist party.⁴

Castro went even further: he tried to dictate the Soviet bloc's Latin American policy. He strongly criticized the bloc countries, principally the Soviet Union, for having established diplomatic and commercial relations with "oligarchic governments" in Latin America. He also suggested that by doing so, the Soviet bloc nations were indirectly helping to eliminate leftist guerrillas in Latin America.⁵

While not clearly perceived at the time, Castro's support of the Soviet invasion of Czechoslovakia in August, 1968, began the process of a gradual abandonment by Havana of its policy of "exporting revolution" to Latin America, which the Kremlin has never really supported. Whether following Moscow's suggestions or not, the fact is that after 1968 Havana patched up its deep differences with several previously antagonistic pro-Soviet Latin American Communist parties. Havana has also begun to proclaim that the armed struggle method is not the only way Latin Marxists can gain power. Moreover, Cuba has started actively to seek economic and diplomatic ties with some Latin governments she used to denounce as oligarchic.

SEEKING FRIENDS

In the last two years, particularly, Premier Castro has shown great interest in making friends in South America and the Caribbean. He made a lengthy trip to Chile in late 1971, and en route saw the Presidents of Ecuador and Peru. Castro's first visit to South America in nearly a decade resulted in re-establishing diplomatic relations with Peru (which followed Chile's lead), Trinidad-Tobago, Barbados, Jamaica and, in 1973, Argentina and Guyana.

Simultaneously with the Cuban diplomatic moves to gain influence in the Hemisphere, there has been a Venezuelan effort in the Organization of American States (OAS) to change its 1964 mandatory resolution

banning relations with the Havana government. Venezuela, at whose request the 1964 embargo had been adopted, appeared likely to succeed until the September, 1973, military coup in Chile undercut her effort's momentum.

Fidel Castro's performance at the September, 1973, Conference of Nonaligned Nations in Algiers did not win Cuba any new friends. Castro's voyage started auspiciously enough. The Premier traveled to Guyana, where he was warmly received by Prime Minister Forbes Burnham, once a target of strong criticism by the Cuban propaganda. (Ironically, opposition leader Cheddi Jagan, Castro's best friend in Guyana, was ignored by the Cuban Premier.) Castro then flew on to Algiers with Burnham and Jamaican Prime Minister Michael Manley, stopping at Port of Spain for a friendly talk with Prime Ministers Eric Williams of Trinidad and Tobago and Errol Barrow of Barbados.

But in Algiers the Cuban Premier drew the ire of several third world leaders when he strongly defended the Soviet Union and declared that "any attempt to pit the nonaligned countries against the socialist camp is counterrevolutionary and benefits only imperialist interests."⁶ This statement produced a heated shouting match between Castro and Cambodia's Prince Norodom Sihanouk, and a sharp attack on the Cuban Premier by President Muammar el-Qaddafi of Libya, who said:

We are against Cuba's presence in this Conference of Nonaligned Nations. There is no difference between Cuba and any East European country, or for that matter Uzbekistan and the Soviet Union itself.

Obviously trying to assuage the Libyan President and other Arab critics, Castro, without any warning, announced at the conference that Cuba was breaking diplomatic relations with Israel. The Premier's decision "to sever relations with Israel has come as a shock," one Tel Aviv newspaper commented, and it has since been criticized by various Jewish organizations around the world. Moreover, Prime Ministers Manley and Burnham have expressed "disillusionment" with the posture adopted by Castro at Algiers.⁷

The success of Cuba's efforts aimed at expanding her relations with the Caribbean and Latin American countries is related, whether Havana wants to admit it or not, to the status of her relations with the United States. As long as Washington's policy of "political ostracism and economic denial" continues, Cuba can score only limited gains in trying to increase cultural, trade and diplomatic contacts in the area. The United States' attitude toward Cuba has remained practically unchanged for over a decade, and after the overthrow of Marxist President Salvador Allende of Chile and the Israeli-Arab conflict, the prospects for an early Cuban-American mini-détente do not appear bright.

⁴ *The New York Times*, August 12, 1967.

⁵ *Ibid.*, March 15, 1967.

⁶ *Granma*, Havana, September 9, 1973.

⁷ *The Miami Herald*, October 25, 1973.

There is a different perception of Cuban-American relations in Havana and Washington. For years, and with a diminishing degree of conviction, Cuba has asserted that the United States is determined to overthrow the Havana regime or to starve it into submission. The United States has been held responsible for many internal economic difficulties because of its "imperialist blockade" of Cuba. Washington, which for years has denounced Cuba for her attempts to export revolution and for her military and political alliance with the Soviet Union, of late has come to regard the Havana regime as only a minor nuisance.

The issue of the use of Cuba as a large support naval base for the Soviet fleet was settled a few years ago when Moscow decided that a naval base it was building in Cienfuegos was not worth a confrontation with the United States. (Soviet naval squadrons continue to resupply regularly in Cuban ports. In September, 1973, a small naval detachment, made up of two destroyers and a submarine, visited Havana.) In February, 1973, the United States and Cuba signed an anti-hijacking agreement which in only a few months virtually eliminated the air piracy of American airplanes to Cuba.

At the time, many observers thought that the anti-hijacking accord would pave the way for the establishment of regular unofficial contacts between the two countries and possibly the resumption of limited trade. This, however, did not happen. It became obvious that as far as Washington and Havana were concerned, the February agreement was concluded to eliminate a potentially dangerous situation. The United States was extremely concerned over the never-ending wave of airline hijackings, with most of the hijackers seeking refuge in Cuba. And the Cuban government was undoubtedly fearful that the crash of an airplane taken by force to Havana would result in a public outcry against Cuba.

At the close of 1973, except for occasional anti-American statements by the Cuban press, there were few areas of friction between the two countries. Several years earlier, anti-Castro exile groups in the Miami area had been sternly warned by federal officials that the United States government would not tolerate any armed actions against Cuba carried out from United States territory. Havana, for its part, appeared to have downgraded the issue of the United States naval base in Guantánamo, which it wants closed down. Although both countries, publicly at least, were not letting out rapprochement feelers, they did not revert to the posture of open hostility that had characterized their relations for about a decade after the break of diplomatic ties on January 2, 1961.

Early in 1973, this state of affairs prompted some members of Congress, newspaper editors and representatives of the academic community to urge the Nixon administration to open a dialogue with Cuba.

Rapprochement advocates asserted that United States policy toward Cuba was outmoded—especially in the context of the Soviet-American-Chinese détente—and that the time had come to modify the 1964 Organization of American States resolution. Since a number of OAS member countries have unilaterally broken the 1964 isolation, it was argued that the United States, by improving its relations with Cuba, would prevent an open split within the regional organization.

Late in the summer of 1973, apparently bowing to mounting Latin and domestic pressure, the Nixon administration for the first time hinted it might reconsider its inflexible opposition to relaxing the 1964 embargo against Cuba. Secretary of State Henry Kissinger, during his testimony before Congress on his nomination for his post, suggested that the American stance toward Cuba might become more flexible. Implicit in the Kissinger statement was the fact that a new Cuban policy was being elaborated by the State Department, at variance with the view expressed by President Richard Nixon in his spring State of the World message, in which he said that United States-Cuban relations were "quite different" from those between the United States, the Soviet Union, and China.

But the incipient United States conciliation toward Cuba was short-lived. The overthrow of the Marxist government in Chile and the Middle East conflict have postponed for an indefinite period any new American initiatives toward Cuba. The change of government in Chile, from one very friendly to Cuba to one very hostile, has altered the correlation of forces in the OAS. Prior to the September 11, 1973, military coup in Chile, Venezuela's proposal to end the anti-Cuban embargo had 11 votes. Venezuela not only has lost the Chilean vote, but is also likely to lose the support of several fence-sitting countries.

The Middle East conflict, by straining the United States-Soviet détente, has indirectly affected American-Cuban relations. It has hardened Washington's attitude toward the Havana government because American policy-makers have apparently concluded that a relaxation of anti-Cuban policy would benefit Moscow. It is not known whether President Nixon and Leonid Brezhnev discussed Cuba during their latest meetings in Washington and San Clemente. But the Soviet press has indicated that Moscow would welcome an American-Cuban rapprochement. "Even

(Continued on page 35)

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"Juan Perón has returned, and many who once wished he were dead now consider him their only hope for some measure of stability."

The Crisis of Authority in Argentina

BY JULIO A. FERNÁNDEZ

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ON OCTOBER 12, 1973, Raúl Lastiri, interim President of Argentina, draped the presidential sash over the shoulders of President Juan D. Perón in an emotion-filled ceremony at the Casa Rosada. Perón's return to power ended an 18-year exile for him and a series of political experiments for Argentina ranging from the three-year insecure term of President Arturo Illia to the 49-day stay of President Héctor Cámpora.

The question that continues to plague Argentines and interested spectators in North America is not only how Perón has continued to keep his popularity alive over the years, but what, if anything, he can do to return the country to a semblance of stability.

The chaotic atmosphere which brought Perón to power in the 1940's can be seen again in the 1970's. An observer describes the period from 1930 to 1943 as "the waning of authority at the top and the growing demand for equality from below. . . ."¹ This situation is apparent today in Argentina. For years, there has been a lack of total participation on the part of a majority of the citizenry, especially the Peronists, in Argentine political life. Also, the leadership over the past 18 years has been ineffectual in coping with domestic or foreign affairs, because it has been bogged down with the problems of political development.

The quest for effective leadership or authority since 1955 has been a formidable one, and is a problem not easy for the Argentines to resolve. When President Alejandro Lanusse took office in 1971, Argentina had seen eight Presidents in the Casa Rosada in 17 years, and only two of these had been duly elected. It was in this milieu that President Lanusse promised "the full reestablishment of democratic institutions in a climate of liberty, progress and justice," and also pledged that elections would be held in March, 1973.

Perón returned to Argentina from his exile in Madrid in November, 1972, staying only long enough to be nominated as the Justicialist party's candidate and, on the eve of his departure in December, to decline the candidacy. The Lanusse government had made it clear that Perón was not eligible to run as a candidate himself in the 1973 elections. Perón tried to persuade many major political party leaders, like ex-President Frondizi and Ricardo Balbín, to boycott the elections unless the ban against him were lifted. He did not, however, receive enough backing to challenge the Lanusse decision. Instead, the military's position seemed to gain strength the longer Perón remained in Buenos Aires. Many Argentines, perhaps a majority, were disappointed at his aloofness; they felt that the spark was gone, and in its place they saw a "tired old politician." Still other Argentines preferred the new Perón to the revolutionary idol of the past, and were greatly relieved that his return did not set off civil strife or even civil war.

Perón left for Madrid in December, 1972. The Justicialist Front subsequently nominated Héctor Cámpora, after receiving a message from Perón insisting that his own candidacy be withdrawn.² The Lanusse government accepted Cámpora's candidacy, and gave assurance that the military would respect the mandate of the people. At the same time, the military announced their intention to form part of the government elected. They also warned that the military would not permit any form of totalitarianism.

During the months before March 11, 1973, there was much speculation as to whether the elections would take place and, if they were held, whether the *Frente Justicialista de Liberación* (the FREJULI or Justicialist Front) would be proscribed from the elections. If it were not proscribed, then the possibility of a military coup seemed to be the inevitable consequence of a Cámpora victory. Proscription of the Justicialist Front was taken to the courts by the military because of a slogan used by the Front: "Cámpora to the government, Perón to power."³ In another move, the military barred Perón from entering Argen-

¹ Manwoo Lee, "Argentine Political Instability," *Journal of Inter-American Studies*, October, 1969, p. 563.

² See Julio A. Fernández, "Crisis in Argentina," *Current History*, February, 1973, p. 52.

³ *La Nación*, February 12, 1973.

tina until after the elections and at the same time began legal action against him for "inciting to violence." Perón had made the remark that "if he were 50 years younger he would be in Argentina throwing bombs and taking justice into his own hands."⁴

Another factor which led many observers to believe that elections would not or could not take place was the continuing wave of violence. Most of the violence was in the form of robberies, bombings, and gun battles among rival Justicialist leaders. Because of the kidnappings and murders carried out by such groups as the *Montoneros*, the Armed Forces of Liberation, and the People's Revolutionary Army (ERP), a state of siege was imposed by the government until after the election.

The election itself was marked by apathy and devoid of any real issues. As Rogelio Frigerio, an economist and politician, remarked in an interview: "The military just gave up after seven years. . . . But the politicians who are taking their place are the same ones who failed more than a decade ago—only now they are ten years older!"⁵ Among the nine would-be contenders heading their political party or alliance ticket in the election were the Justicialist Front candidates, Héctor Cámpora and Vicente Solano Lima; Ricardo Balbín, head of the Radical Civic Union, who was defeated in the presidential races of 1951 against Perón and 1958 against Frondizi; former Minister of Social Welfare Francisco Manrique, heading the Popular Federalist Alliance (APF); Ezequiel Martínez, candidate for the Federal Republican Alliance (FRA) with the backing of the Lanusse government; former Minister of Economy Alvaro Alsogary, heading the New Force ticket; and Oscar Alende of the Alliance of Center-Left. None of the candidates was given much chance of receiving the 50 per cent majority vote needed to win the election, and a runoff was scheduled for April 11. The decisive victory of Cámpora came as a shock to almost everyone, especially the Lanusse government, which had been sure that Cámpora could not get an absolute majority.

THE 49 DAYS OF CÁMPORA

On May 25, 1973, Cámpora became the first civilian President in Argentina in seven years. The Cámpora victory was viewed with cautious optimism in the business world, with many business leaders looking to the Cámpora regime to give the Argentine economy the boost it needed to catch up with the economic expansion of Brazil. Cámpora took one positive step after a short period in office; he an-

nounced the details of the National Act of Compromise. In this document, Cámpora expressed an understanding and willingness to do something about the sad state of the Argentine economy. The act was endorsed by José Rucci, head of the General Confederation of Labor (C.G.T.), Julio Broner, president of the General Confederation of Economy (C.G.E.), and José Gelbard, Minister of Finance. In essence, the act comprised a major action-oriented program geared toward the application of a series of economic measures to such areas as unemployment, housing, income distribution, banking, trade, the inflationary spiral, and the flight of capital. Cámpora also submitted to Congress a new foreign investment code which received mixed reaction in the business sector. In Madrid, meanwhile, Perón was holding conferences with European investors about the Argentine economy.

But Cámpora's measures to relieve economic pressures were overshadowed by increased terrorism. Much of the terrorist activity had been seen as a vendetta by the People's Revolutionary Army (ERP) against the navy for the Trelew incident in August of 1972.⁶ The ERP took credit for the assassination of Navy Chief of Staff Hermes Quijada in downtown Buenos Aires by two men dressed as police officers. A few days before the Quijada murder, another military officer, Jacobo Nasif, had been seized by the same group. The ERP has been credited with at least 16 killings in the past four years, including the murder of foreign and local business executives, military and police officers, and even some labor leaders. These activities were further exacerbated by a split of sizable magnitude within the ranks of the Peronist movement.

On one side of the Peronist coin are moderate trade union leaders and Peronist politicians who are far from revolutionary. On the other side, there is a leftist ideology closer to the Maoist philosophy manifested in the youth movement, *Juventud Peronista*. This group uses such slogans as "prolonged popular war," and insists on the need for "continuing struggle within the movement against reactionary tendencies."⁷ During Perón's brief stay in Argentina in November, 1972, the Peronist youth were completely disenchanted with his seemingly political bourgeois attitude. They had pictured a young man on horseback, an "*hombre del destino*,"⁸ to return and lead them in a socialist revolution. Many of them had grown up on stories of Perón and Eva and "how it used to be."

More violent Peronist groups, including the *Montoneros*, had insisted that Perón be nominated as the Justicialist candidate. When Perón refused to accept the nomination, there was a split in the movement, with dissident Peronists refusing to accept Cámpora.

There are those who thought that after Cámpora's election in March, 1973, much of the guerrilla activity would cease or at least diminish. Instead, terrorist

⁴ *The Times of the Americas*, February 21, 1973.

⁵ *The New York Times*, March 11, 1973.

⁶ See Julio A. Fernández, *op. cit.*

⁷ *The New York Times*, December 13, 1972.

⁸ See Aparicio Luna, *El hombre del destino*, Ediciones JUSTICIA SOCIAL, Buenos Aires, 1946, *passim*.

attacks were intensified and the assassination of military personnel spread to the kidnapping and killing of foreign as well as local business executives. At least 25 kidnappings had been confirmed by early April. When he took office, Cámpora declared a general amnesty and freed more than 100 political prisoners. He soon learned that this did not pay off. The Peronist Youth Movement was showing signs of impatience and outright defiance, with one youth leader calling for "a youth militia . . . to discipline officials who depart from the revolutionary line imposed on them by popular mandate."⁹ Cámpora met with guerrilla leaders to warn them to discontinue terrorist activity. They answered by taking over public buildings, and kidnapping foreign as well as local executives for ransom. The *Montoneros*, who had stayed away from violence during Perón's visit in 1972, renewed their terrorist activity and assassinations, while the ERP demanded that Cámpora take a more leftist-oriented stand in his government.

After one month in office, Cámpora found himself in the unenviable position of having to battle the leftist movement in his own ranks while trying to keep the army in the barracks and assuring the business community that he could control the guerrilla groups. The effect of this situation was a more crippled economy. Many foreign companies cut back travel to Argentina, and executives already there hired bodyguards.

On June 20, Cámpora brought Juan Perón back to Argentina in a gesture aimed at restoring order to the divided Peronist movement. The reception at Ezeiza Airport was anything but heartwarming. Rival youth groups began shooting at each other hours before Perón's plane was scheduled to land, leaving scores killed or wounded. The plane had to land at a nearby military base, with only a handful of military officers to welcome Perón. The following night, Perón went on national television to plead for calm: "We have a revolution to carry out, and to succeed it must be peaceful."¹⁰

On July 13, 1973, President Cámpora and Vice-President Solano Lima resigned so that Perón might

be duly elected. Business and labor groups as well as the military believed that it was time for Perón to come back to try to restore peace in the country. The Argentine Congress called for new elections to be held on September 23 and named Raúl Lastiri, President of the Chamber of Deputies, interim President.¹¹

Cámpora's sudden resignation caused a great deal of speculation as to whom Perón would select as his running mate. Many Peronists expressed the hope that Ricardo Balbín, head of the Radical party, would accept the position. Even the military seemed to agree that a Perón-Balbín ticket would be a sensible arrangement. In another surprise move, however, the Peronist Convention met on August 4 and named Perón's wife, Isabel Martínez de Perón, as its vice-presidential candidate.

Perón soon found that even he did not have much effect on the terrorists as they vied for control within the Justicialist movement. The youth group demanded a socialist state, while Perón seemed to favor a more nationalist Argentina. He further alienated the youth movement by condemning guerrilla tactics and by selecting his wife as running mate. Speculation continued, however, that Isabelita would resign and that Perón would offer the vice-presidency to Balbín. But election day came and the man-and-wife team of Juan and Isabel Perón swept the country with 61.8 per cent of the total votes. Balbín came in second with 24.3 per cent of the vote.¹²

THE FIRST PERÓN ERA

In order to understand the charisma and mysticism surrounding Perón in 1973, it might be helpful to take a quick glance at some aspects of Perón's early political career.¹³ First of all, it should be remembered that Perón was a career army officer and member of the G.O.U. (Group of United Officers) which had organized the revolution of June 4, 1943. The G.O.U. was a secret organization of army officers, few of whom had any idea of what kind of revolution they wanted for Argentina. They did speak a great deal about militarism, dictatorship, and the overall politicalization of the people.

Perón began his rise to power with his appointment by General Edelmiro Farrell as head of the war ministry's secretariat, where he quickly cultivated a military following. Later, he sought and received still another strategic post as Secretary of the Department of Labor and Social Welfare. Perón immediately recognized what other leaders before him had failed to see—the political potential in the Argentine labor force, particularly in the virtually unorganized winery employees, agricultural laborers, and packing-house workers of Buenos Aires. Perón quickly began to expand the powers of his labor post and used these powers to create his own popular following among the Argentine masses.

⁹ *The Times of the Americas*, May 30, 1973. See also *La Nación*, April 23, 1973.

¹⁰ *La Nación*, June 25, 1973.

¹¹ The president of the Senate would normally have been next in line, but he was out of the country at the time of the resignation.

¹² *La Nación*, October 1, 1973.

¹³ The following books might be useful to the reader interested in Perón's influence on Argentine political life: Robert J. Alexander, *The Perón Era* (New York: Columbia University Press, 1951); George I. Blanksten, *Perón's Argentina* (Chicago: University of Chicago Press, 1953); Joseph R. Barager, ed., *Why Perón Came to Power: The Background to Peronism in Argentina* (New York: Alfred A. Knopf, 1968); Thomas F. McGann, *Argentina: The Divided Land* (New York: D. Van Nostrand Co., Inc. 1966); and Arthur P. Whitaker, *Argentina* (Englewood Cliffs: Prentice-Hall, 1964).

By mid-1944, Perón had become Vice President and was widely recognized as the real power behind President Farrell. Perón's pro-Axis policies were the target of many liberals, both civilian and military, who sought a return to civilian government. A coup was organized and in October, 1945, Perón was put under arrest and sent to prison on Martín García Island.

While the liberals argued among themselves over the formation of a new government, Perón's supporters, including his blonde mistress, Eva María Duarte, organized a mass labor demonstration. On October 17, the *descamisados* (shirtless ones) marched through the streets of the industrial section of Buenos Aires chanting "We want Perón." Late that evening, the military gave in to the workers and Perón soon appeared on the balcony of the Casa Rosada. He resigned all his offices that night and announced his candidacy for the presidency. By a margin of 300,000 votes, Perón was elected President of Argentina in February, 1946, and was inaugurated in June with the rank of brigadier general.

The government of Perón from 1946 to 1955 has been credited for giving Argentina its viable labor movement, for progressive social reforms, and for elevating the status of the masses. Perón gave the country a legacy of the *descamisado*—the "shirtless man," no longer an impotent underdog, but a viable force which commands the respect of generals and oligarchs. Despite all these qualities, Perón must also be credited with dictatorial rule, suppression of civil liberties, the arrest of political enemies, curbs on academic institutions, mismanagement of the country's economy, and, perhaps most disruptive of all, the division of the country into two irreconcilable factions: Peronist and anti-Peronist.

THE NEW PERON ERA

Little more than three months have passed since Perón took office in October, 1973. At this writing, it is difficult to assess Perón's effectiveness or, for that matter, his general economic and political policy. The economic situation of Argentina, growing steadily worse over the years, is a most pressing problem. In 1973, it was believed that inflation would reach 75 per cent, and the national deficit was running at more than \$3 billion a year.¹⁴ Measures taken by Minister of Finance José Gelbard under the Cámpora regime had not halted the rise in the cost of living.

An important issue for Perón in the coming months will be his handling of the foreign investment code submitted to Congress by Cámpora. The proposed investment law includes a fade-out provision which requires that majority national ownership be established within 10 years, and that tax schedules be applied

¹⁴ See *Visión*, July 25, 1973.

¹⁵ *The Times of the Americas*, August 22, 1973.

differently to national, mixed, and foreign enterprises. Most observers believe that Perón will make some changes in the proposed law to favor foreign investors. As mentioned earlier, he spent some time in Europe in July lining up new investment capital, before returning to Argentina.

Politically, Perón has stated that the type of government best suited for Argentina is "Justicialism." He is quoted as stating, in an interview before taking office: "Justicialism would permit the government to become more closely identified with the people and with their interests."¹⁵ At the same time, Perón has taken a strong stand against the leftists. One indication of his new policy was the replacement of Rodolfo Puiggros, rector of the University of Buenos Aires, with Alfredo Banfi. Puiggros was one of the few leftists named by Cámpora that Raúl Lastiri had not removed while he was caretaker President.

Part of the political burden must be placed on Perón's own shoulders for his irresponsible remarks, while he was far away in Spain, that if he were 50 years younger he would be throwing bombs also. Now he seems to have changed somewhat. He appears to be a basically conservative politician, proud that his military rank has been restored and apparently at peace with the army. This, of course, will tend to bring much resentment from his youthful followers, whose approximately three million new votes gave him the victory in September, 1973.

The various factions within the Peronist ranks put aside their differences long enough to cast their ballots for Perón. But within 24 hours after his election, the feud started again. This time, the ERP took credit for machine-gunning the leader of the General Confederation of Labor (C.G.T.), José Rucci. Rucci was a close friend of Perón's and was considered to be a collaborator with Perón against the leftists. The Rucci killing set off a rash of bombings and killings between the more conservative of Perón's movement and the radical left-wing faction, leaving at least four labor leaders dead.

PROSPECTS

Despite the Perón administration's appeal for domestic harmony and for an immediate end to violence, terrorism continues to rise in Argentina. There are
(Continued on page 38)

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"Until she exercises sovereignty over all her territory, Panama enjoys something less than full independence," according to this specialist, who concludes that in the long-drawn-out treaty negotiations "Panama's position . . . is firmly rooted in nationalism, the most potent force in Latin America in the second half of the twentieth century and one which the United States Department of State consistently fails to understand or appreciate."

Panama's Struggle for Independence

By E. BRADFORD BURNS

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PANAMA IS NOT an independent nation. She severed connections with Colombia on November 3, 1903, only to find her sovereignty heavily compromised by the controversial treaty signed 15 days later by United States Secretary of State John Hay and Philippe Bunau-Varilla, who purported to represent Panama's interests. That treaty granted the United States in perpetuity a 10-mile strip across the Isthmus with power and jurisdiction "as if it were sovereign." It was negotiated without consulting the Panamanians during those chaotic days while they were fighting physically for their independence.

Much of Panama's history thereafter centered on efforts to win total national sovereignty, a goal requiring the renegotiation of that restrictive treaty and a return of the approximately 500 square miles of the Canal Zone to Panamanian jurisdiction. The United States has been and continues to be reluctant to abandon or renegotiate a treaty which its officials have interpreted as permission to exercise—in practice—sovereign powers over one of the earth's most valuable pieces of real estate, the Canal Zone. Challenging that interpretation of the world's most powerful nation, tiny Panama, a country of only 28,575 square miles, struggles to assert her sovereignty by reincorporating the Canal Zone and the canal into national territory. This essay discusses Panama's position and goals in her continuing negotiations with the United States.

Until she exercises sovereignty over all her territory, Panama enjoys something less than full independence.

During the past decade, the Panamanians accelerated their efforts to gain that independence. In 1964, efforts assumed violent form. Offending Panamanians on the sensitive question of which flag was to fly where in the Zone, some American students hoisted the stars and stripes at an unauthorized time and place. The chauvinistic incident sparked riots which killed 24 people and injured more than 200. Panama broke diplomatic relations with the United States and insisted that the canal treaty be revised. Under pressure from both the United Nations and the Organization of American States, Washington agreed to negotiate a new treaty.

A decade passed. No new treaty emerged. In March, 1973, when the Security Council of the United Nations sought to pass a resolution calling on the United States to draft "without delay" a new treaty that would guarantee Panama's "sovereignty over all her territory," the United States cast a veto—its third in U.N. history—the only negative vote.¹ That action strengthened the image of the United States in the eyes of most of the world as a "colonialist" power. It thwarted Panama's aspirations. Understandably, Panamanians have become frustrated and annoyed with the lack of progress toward a new treaty during the past 10 years. The posters along the streets of Panama City and the nationalistic signs painted on the sides of buildings bear witness to those mounting frustrations.

Although the canal divides Panama physically, it unites all Panamanians emotionally. National sentiment uniformly demands the reincorporation of the Zone. No one better understands this sentiment than General Omar Torrijos Herrera, the strong military figure who took command of the government on October 11, 1968. Posters throughout the Isthmus quote his statement: "You can be sure that in our

¹ *The New York Times*, March 25, 1973; *Time*, April 2, 1973; *Revista Loteria* (Panama), No. 207 (March, 1973); Statement Made to the Press after the Last Session of the U.N. Security Council Meeting in Panama by Ambassador John A. Scali, U.S. Permanent Representative to the U.N., March 21, 1973, available in mimeographed form from the U.S. Embassy, Panama City.

negotiations with the United States of America you will find us standing erect, never on our knees. Never!" He has promised the Panamanians: "Be absolutely and totally sure of it: we will not sell our Fatherland; we will not sign any type of treaty nor make any type of agreement contrary to the best interests of the Panamanians!"² The nationalism inherent in those statements characterizes the Torrijos government, strengthens national resolution and, of course, forecasts potential trouble if a satisfactory treaty is not signed soon. Nationalism and defiance bring together a large and diverse group of Panamanians from the comfortable elites to the marginal masses behind the appealing leadership of the handsome and energetic young general who is determined to rewrite the treaty. Given the powerful emotional appeal which the issue exerts in Panama, the position of the Torrijos government is remarkably moderate. Probably certain flag-waving elements in the United States would not describe Torrijos's position as moderate, but in comparison to the demands of some Panamanian extremists and to what might follow should his efforts fail, it seems fair and reasonable to regard him as moderate.

Few would deny the validity of Panama's many complaints about the original treaty. Over the decades, Panamanians have refused to accept the "perpetuity" of the canal concessions, pointing out, among other cogent arguments, that international law does not recognize the concept of perpetual treaties. Further, the unilateral interpretation of the treaty by the United States has angered Panamanians, who resent the arrogance of the powerful nation which disregards the smaller and weaker nation's wishes and suggestions. In the Panamanian mind, the United States runs the Canal Zone like a colonial enclave in disregard of Panamanian ownership, aspirations, and sensitivities. The complex of military bases with their thousands of personnel belies the treaty stipulation that troops may be stationed in the Zone only in time of war.

The United States Army also operates a number of guerrilla warfare and counterinsurgency schools in the Zone to train Latin America's military. Such activities have no relationship to the canal or its defense and they annoy the Panamanians. Further, the graduates of these schools embarrass the Pan-

² Omar Torrijos Herrera, *Una Revolución Diferente* (Panama: Editora de la Nación, 1973), p. 133.

³ The following works discuss the long-standing Panamanian grievances: Rubén Darío Carles, *Historia del Canal de Panamá* (Panama, 1973); Julio Yau, *El Canal de Panamá: Calvario de un Pueblo* (Madrid: E.M., 1972); Rubén Darío Souza et al., *Panamá, 1903-1970* (Panama, 1970); Ernesto Castillero Pimentel, *Política Exterior de Panamá* (Panama: Impresora Panamá, 1961), and *Panamá y los Estados Unidos* (Panama: Impresora Panamá, 1973).

⁴ *Los Angeles Times*, October 6, 1973; *Latin America* (London), October 26, 1973.

⁵ *Latin American Digest*, Vol. 7, No. 3 (April, 1973), p. 12.

amanians. It may be no coincidence that most military dictators in power at the moment in Latin America have studied at the United States schools in the Zone. General Augusto Pinochet, chief of the junta which violently overthrew the Chilean democratic government on September 11, 1973, is the latest of those graduates to achieve notoriety.³

The most recent Panamanian complaint concerns the United States detention of two merchant ships, one Cuban and the other Russian, on their way through the canal. The United States stopped the ships after the Chilean military junta complained they failed to deliver cargo contracted and paid for by the previous government of President Salvador Allende. Panamanian public opinion exploded with indignation that their territory should be used by the United States to play its self-appointed role as an international policeman. The Ministry of Foreign Relations pointed out that the 1903 treaty clearly stipulated that the canal must be "neutral," providing "free, open and indiscriminate" service. That the canal is equivalent to the high seas seems well established in international law. By seizing the ships transiting the canal, the United States has involved itself in an acrimonious new dispute with Panama, one which further solidifies Panamanian public opinion behind General Torrijos, and probably further complicates the canal treaty negotiations. In Panamanian eyes—and one might add also in the opinion of many nations—the United States has proven in this recent incident that it neither impartially nor apolitically administers the canal.⁴

CANAL EARNINGS

Panama presents many paradoxes but perhaps none so brutal as its million and a half citizens living in poverty while the world's richest nation controls Panama's major resource—the canal—for its own benefit. Panamanians complain bitterly of the scant payment they receive for the use of the unique and valuable geography of their isthmus. The *Latin American Digest* reported that in 1970, canal profits totaled \$175 million, of which Panama received \$1.9 million.⁵ If one accepts these figures, it appears that Panama received a pitiful one per cent return on her primary resource, an astonishingly low figure, particularly compared with other rental rates. For example, the net profit from the rents of the Empire State Building during the same year exceeded \$13 million. Valuable as that building is as a piece of real estate, it cannot approach the uniqueness or service of the 500-square mile Canal Zone.

Looked at from yet another perspective, the pitance Panama earns from her canal constitutes a subsidy to world shipping. But the extent to which impoverished Panama subsidizes the maritime commerce of the rich nations is more complex than just

the low rental fee. The Panama Canal Company charges exactly the same rates for ships today as it did in 1914. The failure of those rates to keep abreast of other price rises over 60 years in effect becomes another contribution of the Panamanians to the merchant barons of the world. The canal is, after all, Panama's major resource, on which she depends for her economic well-being and development. Inability to control and exploit that resource has condemned the country unnecessarily to prolonged underdevelopment and continued poverty.

The United States government claims that the canal is not even paid for, much less earning a profit. The original canal cost \$386 million, of which Washington soberly notes that \$317 million remains unpaid after 60 years. The possibility of fancy juggling of figures exists here. One wonders what sort of business amortizes its loan at less than 20 per cent in a 60-year period. Using statistics published by the Panama Canal Company, Panamanian economists point out that the original investment of \$386 million and the annual interest at two per cent were paid off by 1954. The same economists, consulting the same sources for their data, note that between 1955 and 1970 the Panama Canal Company earned \$678 million more, providing an additional handsome return on the initial investment.⁶

In an independent report filed by the Economic Commission for Latin America, an agency of the Economic and Social Council of the United Nations, the U.N. economists figure that in the decade 1960-1970, ship tolls amounted to \$757 million, but that the canal's income with properly adjusted rates would have been more like \$2,601 million. Even so, the convenience of the canal to shipping would have saved its users somewhere in the neighborhood of \$5,400 million. Other authorities consider the U.N. report far too conservative. At any rate, the estimates of the commission for the decade of the 1970's surpass the figures for the 1960's: fees should reach \$1,105 million; potential earnings should or could total \$3,599 million; and, finally, savings to the users still will be an impressive \$8,055 million.⁷ Who can fault Panama for her disappointment with the \$1.9 million check the United States yearly turns over to her?

The Panamanians voice other economic complaints as well. Commerce aside, the canal has benefited the United States military tremendously during two world wars, a handful of "police actions," and several un-

declared wars in Asia. Between 1914 and 1970, the convenience of the canal saved the United States military approximately \$11 billion.⁸ Yet although Panamanian geography permits both convenience and savings, Panama's national revenues reflect few of the material rewards reaped by the Pentagon.

Further, the canal provides many well-paid jobs for United States citizens, who in the Zone hold all the best and highest paid positions. In the period 1950-1969 alone, United States citizens received salaries totaling \$659 million, while other workers (mainly Panamanians) earned \$487 million.⁹ Although United States citizens comprise a minority of the work force, they earn a majority of the salaries paid. Panamanians feel qualified to hold most of these jobs and do not doubt that with proper training they could occupy the rest. The employment opportunities of the Panama Canal, they feel, should benefit Panamanians rather than raising the income of the world's wealthiest nation.

However, important as jobs and revenues are for Panama's development, the financial consideration does not weigh heaviest in the minds of patient Panamanians. While not oblivious to the potential economic advantages of the canal, Panama is much more concerned to eliminate a "colonial enclave," regarded as an affront to nationality.

The atmosphere of early twentieth-century imperialism still hangs pervasively over the canal. Indeed, Jack Hood Vaughn, a former ambassador to Panama, assistant secretary of state for Latin America, and director of the Peace Corps, refers to Panama as "still a United States colony in many important respects."¹⁰ A white, foreign population, speaking a different language, exists in the midst of a Spanish-speaking, Roman Catholic population which is at least 75 per cent black, mulatto, and mestizo. The white foreigner holds managerial positions earning substantial salaries and enjoying the benefits of myriad allowances and privileges; the darker native toils at the more menial tasks, faithfully taking orders from the white foreigner and earning considerably less for his loyalty and labor. Foreign soldiers abound. Foreign laws apply in territory which is Panamanian. A Panamanian can be arrested for breaking a foreign law, tried in a foreign court, and punished by foreign authorities, all on his own soil. The entire situation bears an all too familiar similarity to the European treatment of Turkey and China at the beginning of the century.

That colonial mentality unfortunately pervades our Department of State and more particularly the Pentagon, whose attitudes toward Panama and her aspirations are often condescending. The ploy has been to avert trouble by assiduously wooing key business and military leaders, the former with lucrative contracts to supply the Zone, the latter with hardware,

⁶ Boris Blanco, "El Canal de Panamá en la Economía Norteamericana," *Anales de Ciencias Humanas* (University of Panama), No. 1 (1971), pp. 22-24.

⁷ Economic Commission for Latin America (Mexico Office), *The Economy of Panama and the Canal Zone*, 2 vols. (Mexico: CEPAL/Mex/72/28/Rev. 1, 1972).

⁸ Blanco, "El Canal de Panama . . .," p. 21.

⁹ *Ibid.*, pp. 25-26.

¹⁰ *Los Angeles Times*, October 14, 1973.

junkets, and training. That maneuver has worked in the past, but there is reason to question whether it will continue to do so in the 1970's.

Some minor business prompted me to visit the United States Embassy in Panama City in August, 1973, where one of the ranking officials "enlightened" me on Panama. In his opinion, the Panamanians lacked the ability to operate the canal and apparently were innately incapable of acquiring needed skills. According to his observations, the major defect in Panamanian character was covetousness. The Panamanians wanted everything that was not theirs, such as the Zone, the canal, the installations, even the houses inhabited by United States citizens in the Zone. The high fence which until recently separated the Zone from the rest of Panama was not so much to mark a boundary, my informant insisted, as to keep out Panamanians who had a proclivity for theft. Finally, he puzzled, why should Panamanians want the Zone when they have plenty of unused land? His long monologue on the wickedness and perversity of the Panamanians had the ring of the exasperated colonial official who has tried long and diligently to bring "civilization" to the "natives," only to find that they do not appreciate his efforts.

These attitudes contrast with the views of a minority of United States officials who seem to understand the Panamanian aspirations. In the long run, they see more to be gained for the United States by cooperating to fulfill Panama's goals. While serving as assistant secretary of state for Latin America, Jack Vaughn sought to reduce United States military presence in Panama but encountered unyielding and finally successful opposition from the generals. His experience clearly demonstrated that, in the final analysis, United States policy toward Panama emanates more from the Pentagon than from the Department of State.¹¹

TREATY NEGOTIATIONS

Under international pressure, Washington realizes it must make a pretense of accommodating some Panamanian desires for a treaty change. Protracted negotiations have extended over the past decade, and no progress has been reported. Panamanian patience

¹¹ *Ibid.*

¹² Jorge Illueca, "Las Negociaciones sobre el Canal de Panamá," *Universidad* (Panama), No. 43 (June, 1973), p. 139.

¹³ *The Times of the Americas* (Washington, D.C.), May 23, 1973.

¹⁴ Information for the following paragraphs comes primarily from the article by Jorge Illueca, cited above; the pamphlet *Panama Canal Zone: Occupied Territory* (Washington, D.C.: EPICA, 1973); three days of interviews, July 31, August 1 and 2, 1973, with the advisors to the Panamanian government on the canal negotiations, Ministry of Foreign Affairs, Panama City; and "Four Years of Partnership," a speech delivered by Robert M. Savre, U.S. Ambassador to Panama, February 27, 1973, available in mimeographed form from the U.S. Embassy, Panama City.

wears thinner. The Panamanians accuse Washington of delaying the negotiations.¹² Obviously, only the United States gains by any postponement in replacing the 1903 document. Criticism mounts both in Panama and throughout Latin America that, while expressing willingness to rewrite the Hay-Bunau-Varilla Treaty, the United States has made unreasonable, if not unrealistic, proposals and demands.

In the present protracted negotiations, the Panamanian case begins with the rejection of the 1903 document from which the United States legitimizes its presence on the Isthmus. The articulate Minister of Foreign Relations, Juan Antonio Tack, flatly states that the treaty was never negotiated. Philippe Bunau-Varilla, a former chief engineer of the French Panama Canal Company, represented not Panama's interest but rather his own interests and those of France, of which he was a citizen. After signing the treaty, Bunau-Varilla collected \$40 million, ostensibly for the company (no accounting was ever made of it), and departed for France, where he received the Legion of Honor. In truth, no representative of Panama was even present in Washington when her fate was decided. The events surrounding the treaty—as well as the fact that international law does not recognize perpetuity—cast real doubt on its validity. Minister Tack concludes:

The United States cannot insist on rights based on a non-negotiated treaty which has been repudiated by all Panamanians because this treaty is an obstacle to Panama's complete independence.¹³

Aware of their unique geography, Panamanians want to accept the heavy responsibility for the canal, and have no doubts of their ability to operate it. At any rate, their present position calls for a transition period during which the United States will gradually turn over the control, administration, and operation of the waterway.¹⁴

Any treaty, the Panamanians universally concur, must begin by fixing a definite time limit on the presence of the United States. Panama wants to exercise full sovereignty over the Zone within five years, and to administer the canal itself no later than 1994. The Department of State regards both time periods too brief. Washington would delay the application of Panamanian law, jurisdiction, and authority for at least 35 years and would complete United States with—
(Continued on page 38)

E. Bradford Burns has written numerous articles and six books on Latin America, the latest of which is *Latin America, a Concise Interpretive History* (Englewood Cliffs: Prentice-Hall, 1972). This year he is serving as president of the Pacific Coast Council on Latin American Studies. He visited Panama this past summer gathering material for this essay.

"Political stability, the demise of guerrillas, the obedience of the military, growing influence in regional affairs, and a windfall in oil revenues—these are factors that inspire optimism about Venezuela's future. . . ." Nonetheless, "the brightness of Venezuela's prospects should not blind us to the problems that lie just below the surface of daily political life."

Venezuela's Presidential Politics

BY GEORGE W. GRAYSON

Associate Professor of Government, College of William and Mary

ON DECEMBER 9, 1973, millions of Venezuelans tucked colored cards into small envelopes which they then deposited into wooden boxes as the final act of faith in what has become a consuming national ritual—presidential politics. The voting faithful had endured the appeals of 20 different political parties, the promises and polemics of 14 candidates, and a multimillion dollar radio and television advertising barrage that made most United States elections appear as tranquil as Sunday school picnics.*

The Venezuelans' passion and enthusiasm—undaunted despite a shrill two-year campaign—perhaps spring from the novelty of having a role in selecting leaders. Democratic elections have been held in this Andean nation of 10 million for only 15 years, and outgoing President Rafael Caldera is only the third civilian chief executive in recent times to complete his five-year term.

That democracy has shot roots into Venezuela's fragile political soil can be explained by the presence of two large, mass-based, adaptive political parties: Democratic Action (*Acción Democrática*—A.D.) and the Christian Democrats, known as C.O.P.E.I.† These organizations have become foci of loyalty for millions of Venezuelans integrated into the political system. The parties provide forums for conflict and compromise, and both promote the concept that elections are the appropriate instruments for transferring

power and that elected officials are the legitimate agents for decision-making. They have recruited leaders who generally display more blandness than flamboyance, yet exhibit a pragmatic willingness to forego radical programs in the short run to maintain a consensus that permits protracted, albeit moderate, social reform.

Thanks to an oil boom, the parties have presided over economic growth that has brought Venezuelans the highest per capita income in Latin America (\$1,000 annually), while giving rise to a plural society in which many interests serve as a counterpoise to the armed forces, which for so long monopolized power. Despite their weaknesses—a "come back tomorrow" bureaucracy, occasional parliamentary deadlock, underfinanced social programs, and a distressingly slow-moving agrarian reform—A.D. and C.O.P.E.I. have given so many citizens a stake in their country's future that regardless of the results, the December 9 balloting must be viewed as a victory for the nation's party system.¹

Most impartial observers regarded the race as virtually a toss-up between Lorenzo Fernández of C.O.P.E.I. and Carlos Andrés Pérez, standard-bearer of Democratic Action.² In this way the contest was reminiscent of the 1968 election in which Caldera edged his *Adeco* opponent by a razor-thin margin of 31,241 votes out of three million cast.

Despite a rather colorless personality, Fernández was seen by many as the candidate to beat because of his close association with the incumbent chief executive, the organizational vitality of the centrist Christian Democrats, and the lavish financial backing enjoyed by his campaign—support reflected in the willingness of a group of Valencia industrialists to wager one million bolivares (approximately \$250,000) that he would triumph. In his platform, he pledged to continue Caldera's policies; specifically, ideological

* For excellent research assistance on this paper, I wish to thank Michael Elder, a graduate student in government at the College of William and Mary.

† Members are known as *Adecos* and *Copeyanos*.

¹ For an important study of the functions of political parties in Venezuelan development, see Daniel H. Levine's *Conflict and Political Change in Venezuela* (Princeton: Princeton University Press, 1973).

² As this issue goes to press, Pérez has won the December 9 election. He received 48 per cent of the votes; Fernández received 38 per cent of the votes.

pluralism in foreign affairs (discussed later) and sure and steady progress in areas such as housing, agrarian reform, road building, and public health. Should he win, it would probably be with less than 30 per cent of the vote.

CANDIDATES

Pérez, Fernández' major rival for the presidency, was a former secretary-general of Democratic Action and a close ally of Romulo Betancourt, who reestablished democratic politics in Venezuela during his 1958–1963 presidential tenure. A fervent foe of communism and a prime mover in Betancourt's anti-guerrilla campaign, Pérez ran on a strong law and order platform embellished with assertions that Caldera and C.O.P.E.I. had failed to live up to their promises in areas such as housing and had mismanaged the nation's petroleum income, which generates nearly 90 per cent of the country's foreign exchange and 60 per cent of its national budget. In fact, the domestic programs of C.O.P.E.I. and A.D. are virtually indistinguishable. Rebuffed in an attempt to forge a united front with several leftist parties that would have assured victory, the Democratic Action candidate was nonetheless regarded as a strong contender. Indeed, Gaither International published a public opinion poll several weeks before the election which showed Pérez with a rather improbable five percentage point lead over Fernández.

The most prominent leftist candidates were José Vicente Rangel, an erstwhile *Adeco* who now leads the Movement toward Socialism (Movimiento al Socialismo—M.A.S.) and enjoys the endorsement of the extremist Leftist Revolutionary Movement, and Jesús Angel Paz Galarraga, a former pediatric surgeon and self-styled "Democrat-Socialist." As the candidate of the People's Electoral Movement (Movimiento Electoral del Pueblo—M.E.P.), Paz Galarraga gained support from the relatively moderate Moscow-line Communists but lost the chance to become a serious contender when Jóvito Villalba pulled his Democratic Republican Union out of a "New Forces" coalition.

Rangel and Paz Galarraga excoriated the government for its favoritism of the few at the expense of the many. They pointed to limited educational opportunities for "have-nots," poor housing for millions, impoverished public health services, an unemployment rate that may be as high as 20 per cent, and a fiscal structure that requires only three per cent of the population to pay income taxes. They further urge nationalization of the petroleum industry during the

³ I wish to thank my colleague Judith Ewell for patiently informing me about Pérez Jiménez and his administration.

⁴ Harry Kantor, *Patterns of Politics and Political Systems in Latin America* (Chicago: Rand McNally & Company, 1969), p. 359.

⁵ *Ibid.*

next presidential term—a clear stand that separates them from the moderate and equivocal positions of both Fernández and Pérez.

Despite a savage anti-leftist media campaign—allegedly financed by the Creole Petroleum Corporation and the Association of Chambers of Commerce and Industry—Rangel and Paz Galarraga were expected jointly to garner the votes of 25 per cent or more of the electorate.

Ironically, the name of one of Venezuela's most potent vote-getters did not appear on the ballot, because General Marcos Pérez Jiménez—often referred to as "P.J."—remained in exile in Spain, constitutionally forbidden from entering the presidential contest.³ A ruthless tyrant who gained power in 1951, Pérez Jiménez presided over an administration characterized by police brutality, rigged elections, drunken orgies, financial mismanagement and undisguised corruption. One scholar estimates that at least 50 to 60 per cent of the government's monies were either stolen or squandered during his seven-year rule.⁴ So excessively did P.J. indulge himself and his entourage that an Indian official visiting Caracas once characterized the dictator as ruling like a feudal maharaja.⁵

But many have forgotten Pérez Jiménez' excesses. Instead, they recall the post-Korean War building wave that swept the capital, propelled by bounteous oil revenues and bringing wide avenues, towering buildings, a university city and—above all—jobs. Because of the support that he enjoys among many urban shantytown dwellers, P.J. is frequently compared with Juan Perón—a comparison nourished by their common military background, Spanish exile, voter appeal as strongmen above petty politics, and commitment to law and order.

Yet differences exceed similarities. Pérez Jiménez' National Civic Crusade is neither so large nor so broadly based as the Peronist movement; the Venezuelan has no tool so powerful as the memory of the late Evita Perón with which to rally mass support; and while Perón projects the image of a stern, disciplined leader, P.J. is known for corruption and affinity for *la dolce vita*. Above all, he lacks Perón's close ties to organized labor, which in Venezuela represents about half the 3.3 million workers. Among trade unionists there is strong support for A.D., C.O.P.E.I., and M.E.P., in order of preference, but little enthusiasm for the exiled strongman who repressed rather than promoted unions during his administration.

Thus the Christian Democrats collaborated with Democratic Action to engineer passage of a constitutional amendment that prohibits anyone who has served more than three years in prison from seeking the presidency. This legislation preempted the candidacy of Pérez Jiménez, who had languished for over four years in Miami and Caracas jails on charges of embezzling \$13 million in public funds.

A proposal to run the former dictator's wife as a stand-in candidate or his wife and daughter as congressional candidates died in mid-November at P.J.'s behest. Although he failed to bestow his blessing on any candidate, at least one of the five *Jimenista* parties endorsed Pedro Tinoco, a conservative 45-year-old banker and lawyer, who was the nominee of the small Desarrollista Movement.

However, between A.D. and C.O.P.E.I., a number of P.J.'s followers were supporting the latter because of Democratic Action's harsh treatment of their hero and because it was rumored that Fernández would grant amnesty to all exiled political prisoners, thus permitting the old general to return home. It may well be that much of the so called "Pérez Jiménez vote" was simply an apolitical or anti-political element that would seek out the strongest anti-establishment candidate—probably Rangel, the nominee of M.A.S.

In addition to those surrounding the Pérez Jiménez controversy, other tensions beset the campaign. Student rioting erupted on the campus of Caracas' highly politicized Central University following the death of Salvador Allende and his freely elected Marxist regime in Chile; a rash of demonstrations by high school students broke out across the country shortly before the balloting; and isolated guerrilla bands launched hit and run attacks in the remote eastern state of Anzoátegui.

Perhaps the most publicized conflict of all related to a contract negotiated by the Supreme Electoral Council, overseer of elections, to purchase 10,000 voting machines from an American firm to use in the December 9 elections. This agreement was abruptly cancelled, however, when charges and countercharges filled the air that the manufacturer had paid \$1 million in kickbacks—euphemistically called "commissions"—to prominent politicians and officials for the privilege of supplying the order.

As the election drew near, political commercials completely dominated radio and television broadcasts; the parties spent an estimated \$50 million in advertising to woo the nation's five million eligible voters. The messages became so vituperative that stations refused to carry those that were excessively abusive.

One explanation of the campaign's bitterness lies in the windfall of oil revenues available for the use of the next chief executive to support his programs and, indirectly, his party. Sharply higher demand for Venezuela's 3.8 million barrel-per-day production has triggered four price increases since January, 1973, increases fixed unilaterally by the President as a result of a 1970 law which eliminated the need for consultation with the oil companies. As Dr. Hugo Pérez la Salvia, Minister of Mines and Hydrocarbons, expressed it: "We don't negotiate. We fix prices."

These higher rates added \$225 million to the state treasury in 1973, and more is expected in the future.⁶

CALDERA'S ADMINISTRATION: DOMESTIC POLICY

The incoming occupant of the Miraflores presidential palace will have to work hard to match the accomplishments of the outgoing chief executive. Caldera can take special pride in his "pacification program" designed to reduce the guerrilla-inspired terrorism that had for years plagued Venezuela. In his March 11, 1969, inaugural address, the Christian Democratic President delivered the *coup de grace* to the anti-government forces when he granted amnesty to insurgents willing to respect democratic processes and even offered to buy them airline tickets to be used in leaving the country. He also permitted Communists and other left-wing parties to engage in open electoral politics—thereby providing guerrillas with a political alternative to violence—and exchanged ambassadors with Soviet bloc nations.

While desultory acts of violence continue, the guerrillas no longer threaten national security. Many have left the hills to begin lives as ordinary citizens; many have fled the country; some have entered politics as members of the M.A.S., M.E.P., or Communist party; and at least one group of retired guerrillas announced the formation of a party to support C.O.P.E.I.'s presidential candidate.

The sharp decline in terrorism cannot be attributed solely to Caldera. Premier Fidel Castro's decision—made in response to strong Soviet pressure—to curtail the aiding and abetting of insurgent groups has clearly hurt the Douglas Bravo-led Armed Forces of National Liberation, Venezuela's most important rebel band, which once relied heavily upon Cuba for supplies.

Meanwhile, the armed forces assert that their vigorous anti-guerrilla campaign launched prior to Caldera's inauguration debilitated the rebels so that they readily accepted amnesty. Ironically, the demise of a serious insurgent threat was viewed with concern in some military circles, where it was feared that a pacified Venezuela might be less supportive of modern arms, personnel increases, and pay raises for the military.⁷

Early in Caldera's administration, rumors circulated in the barracks that the army might initiate a *coup* to restore the defeated Democratic Action. Hearing this talk, Caldera immediately placed loyal officers at the head of pivotal units and passed over pro-*Adeco* generals to select a defense minister in whom he had full confidence. To consolidate his influence among the armed forces, he procured most of the modern weapons which they sought.

This strategy bore fruit last October when the Defense Minister, General Gustavo Pardi Dávila, announced that the military would guarantee the ful-

⁶ Latin America Economic Report, October 26, 1973, p. 2.

⁷ The New York Times, July 19, 1970, p. 19.

fillment of the people's will as expressed in the ballot box. This statement silenced fresh rumors that at least one high ranking retired officer was plotting to seize power as a result of unrest generated by the presidential campaign.

Late in 1970, Congress enacted legislation altering the status of banks whose ownership was more than 20 per cent foreign. Such institutions may not accept savings deposits, issue negotiable deposit certificates, or sell foreign exchange purchased from the Central Bank. Further, their deposits are restricted to six times their capital and reserves, while the similar factor for domestic banks is eight.⁸

OIL REVERSION LAW

Hard on the heels of the new banking legislation, Caldera promulgated an oil reversion law. This measure empowers the government to take over within three years unexploited oil concessions held by such foreign companies as Creole (Exxon), Shell, Texaco, and Mobil. In addition, it places the domestic petroleum market under the control of the Venezuelan Petroleum Corporation (*Corporación Venezolana de Petróleo—C.V.P.*) and permits C.V.P. to take ownership of the foreign firms' production and processing equipment upon expiration of existing concessions in 1983.⁹

The oil reversion law, supported by *Adecos* and *Copeyanos* alike, sprang from the belief that foreigners had benefited more than Venezuelans from the exploitation of the nation's most precious resource. For example, Pérez Alfonzo, former Minister of Mines and Hydrocarbons, asserted that there was nothing "confiscatory" in the legislation, insisting that since 1917 the large companies had amortized two-thirds of their \$5.2-billion investment in the country, while piling up \$10.1 billion in profits. He further argued that the oil giants earned 30 per cent on their fixed profits in Venezuela compared with only 11 per cent in developed nations. Rául Leoni, President of Venezuela from 1963 to 1968, concurred in these comments, agreeing that the new law would have no affect on the foreign firms because they had not made investments in the unexploited areas.¹⁰

President Caldera also enjoyed broad support for his proposal to nationalize the country's huge natural gas reserves. Foreign ownership in this potentially profitable industry will be limited to minority participation.

Although Democratic Action and several other parties endorsed measures relating to economic nationalism, other Caldera-sponsored programs fared less well in Congress, where C.O.P.E.I. held only a

minority of seats. One of the most hotly debated issues was the Christian Democrats' promise to construct 100,000 new housing units annually to provide decent living quarters for the poor and especially for the denizens of *ranchitos*—fetid slums which encircle cities like Caracas, embracing over one-third of the capital's two million inhabitants.

Even official figures demonstrate that construction has not come anywhere near Caldera's goal. This fact led the President to blame the opposition-controlled Congress for failing to appropriate the necessary funds. His attack provoked a sharp response from *Adeco* Antonio Leidenz, president of the House of Deputies. Leidenz dispatched a mordant telegram to Caldera accusing him of warring on Congress in a manner "contrary to the harmony and respect that ought to exist between the branches of government, which would affect the equilibrium and prestige of the democratic system."¹¹ In response to C.O.P.E.I.'s charge that the legislature had undercut the housing program by refusing to appropriate a requested three billion bolivares, the A.D. leader reminded the nation that Congress had approved expenditures of more than 70 million bolivares since Caldera took office and that this was a large sum for a nation whose population has yet to reach 11 million.¹²

CALDERA'S ADMINISTRATION: FOREIGN AFFAIRS

President Caldera has registered his most impressive achievements in foreign relations. Here he moved his country from a suspicious, protectionist, inward-looking nation to one that has decided to base diplomatic relations on mutual interest rather than ideological affinity, has affiliated with the Andean Group, and has begun to recognize responsibilities with respect to neighboring Caribbean states, while asserting leadership throughout the hemisphere on questions such as reintegrating Cuba into the community of American nations.

Upon taking office, Caldera exchanged ambassadors with the Soviet Union and other Eastern-bloc nations with which his country had not previously had ties. He emphatically denied that his move betokened an endorsement of communism, and declared that the Caracas regime desired relations on the pragmatic grounds of economic and political self-interest rather than on the basis of ideological agreement.

The Christian Democratic government applied this same "ideological pluralism" to its dealings with other Latin American countries. Caldera wasted no time in jettisoning the Betancourt Doctrine (a formula followed by his A.D. predecessors whereby Venezuela refused to recognize hemispheric regimes that acquired power by nondemocratic means) on the grounds that it led to moral judgments inappropriate to international politics, impeded economic integration, and isolated the nation from such "brother countries" as

⁸ *BOLSA Review*, February, 1972, p. 71.

⁹ *Ibid.*

¹⁰ *Latin America*, June 25, 1971, p. 205.

¹¹ *Latin America*, July 27, 1973, p. 237.

¹² *Ibid.*, p. 238.

Argentina, Bolivia, Ecuador, Panama, and Peru where the military had seized power. Venezuela now recognizes all of these regimes.

Caldera also presided over his nation's entry into the Andean Group, a regional form of economic integration that embraces Bolivia, Chile, Peru, Ecuador, and Colombia. Venezuela's entry brings to the grouping a country that boasts a stable currency, a consistent growth rate, and a ready supply of capital. It also means a virtual doubling of the economically viable population within the area, because most of the 10 million Venezuelans are consumers. In contrast, large blocs of people in the other member countries do not participate in a market economy.

According to the Lima Consensus, the document of accession signed by Caldera on February 13, 1973, Venezuela must take steps to eliminate existing customs duties on goods traded between states, while progressively moving toward a common external tariff with respect to nonmember nations by 1980. Decision 24 of the Lima Consensus places tight controls on foreign capital entering the Andean Group countries, requiring (1) prior approval, (2) sale by a foreign company of a majority of its equity to national owners within 15 years, (3) limitation of the access of foreign firms to local credit, and (4) foreign capital to refrain from entering key areas of the economy such as the infrastructure, communications, commercial banking, insurance, and other financial services.¹³

Although a loophole in the Lima Consensus exempts oil companies operating in Venezuela from the strictures placed on foreign investors, entry into the Andean Group may adversely affect the nation in the short run. Little concern is manifest over the need to eliminate intra-group tariffs because Venezuela now carries on only about three per cent of its foreign trade with its new economic partners. However, the controls on foreign capital are more burdensome than those now applied by the Caracas government, which has traditionally maintained a liberal attitude toward foreign investment. Thus entry into the group could reduce the flow of this important factor into Venezuela.

The need to move toward a common external tariff poses an even more serious problem inasmuch as this is likely to be a protectionist tariff designed to raise prices on items coming from nonmembers in order to stimulate trade among the six states composing the area. Venezuela annually imports about \$2-billion worth of goods, the great bulk of which originates in the United States. Thus, increased import

¹³ An analysis of the impact of Venezuela's entry into the Andean Group appears in the *BOLSA Review*, May, 1973, pp. 226-234; entry by foreign firms into commercial banking, insurance, and other financial services was forbidden by Venezuelan law even before Caldera signed the Lima Consensus.

prices will probably drive up the cost of living in a nation whose inflation rate has been held to approximately three per cent in each of the past two years.

The above reasons, wariness of imports from member nations with low wage rates, and fear of successful competition from Colombian textiles enabled the Association of Chambers of Commerce and Industry to lobby effectively for years against Venezuela's entry. However, fully supported by Democratic Action, Caldera took the plunge into the icy waters of economic integration.

A NEW POLICY

Why did he undertake such a bold new economic policy? To begin with, Caldera does identify Venezuela's destiny with that of other Spanish-speaking nations. Further, he appears anxious that these nations draw closer—and perhaps coax Argentina into their ranks—as economic growth and political stability awaken the sleeping Brazilian giant, which is beginning to exert influence throughout the Americas. But above all, Caldera wants to hasten diversification of his country's economy. He knows that at the present rate of extraction proved oil resources will be exhausted in a decade. It may be possible to tap additional reserves found in the so-called Orinoco tar belt; however, these reserves will be exceedingly costly to develop and when and if they are available at commercially attractive prices, major industrial nations may have converted to alternative energy sources. Initial disadvantages notwithstanding, the Christian Democratic President views entry into the Andean Group as crucial to securing a broader market for manufactured goods which he hopes will earn at least part of the foreign exchange lost when the last oil well is pumped dry. Thus, he appears anxious to dispel the "oil will pay for everything" philosophy which has for so long pervaded national thinking.

The C.O.P.E.I. government has not confined its international economic contacts to the Andean Group. Indeed, Venezuela has moved vigorously—and apparently with considerable success—to check Brazilian influence and exert her own in the nearby Caribbean, including the Dominican Republic, Curacao, and other island nations. Venezuelan banks are springing up like mushrooms throughout the area, while Venezuelan investors are busily setting up joint ventures with local businessmen. According to *The New York*

(Continued on page 39)

George W. Grayson has made six trips to Latin America in the past six years. He is the author of a study of Chilean politics entitled *El Partido Demócrata Cristiano Chileno* (Buenos Aires: Editorial Francisco de Aguirre, 1968) and has written a number of articles for scholarly journals. He lectures at the Foreign Service Institute of the Department of State.

"...as of this writing, the Uruguayan armed forces have not been able to agree on a political or economic ideology, nor have they been able to find a leader who would mercifully depose President Bordaberry and move the country in some direction or other."

Uruguay's Continuing Dilemma

BY ARTURO C. PORZECANSKI
Assistant Professor of Economics, University of Pittsburgh

WHAT HAPPENED to Uruguay? She was supposed to be "the Switzerland of the Americas" and "the first welfare state," and had become known to foreigners for her highly cultured, well-fed, healthy, well-dressed, comfortably housed, happy, prosperous people. Uruguay had enjoyed a reputation for being a socially advanced and politically stable nation where statesmen kept introducing political reforms and generous social legislation. To what extent is the country in economic and political trouble?

Uruguay has by now a two-decade-old stagnant economy and a semidictatorial and quasi-military political regime. Although economic and political events are usually interrelated—and Uruguay is no exception—this discussion is divided, for the sake of clarity, into an analysis of economic and political events.

During the past quarter century, Uruguayans became known among social scientists for their relatively high income per capita (the third largest in Latin America), very low population growth rate (1.3 per cent per year, the lowest in Latin America), and an unusually large urban agglomeration (80 per cent of the population lives in urban areas, almost half of the country's total in the capital city alone). During the past 15 years, however, Uruguay has also acquired a disastrous economic record. Per capita output has either stagnated or fallen, and gross investment, per capita agricultural production, and per capita food production have all tended to drop rather dramatically. Although no reliable unemployment figures are available, the data in Table 1 and most other economic indicators suggest a rather marked increase in the rate of unemployment and an overall decline in living standards.

To compound Uruguay's production troubles, important inflationary pressures manifested themselves all through the 1960's as well as during the past three years. As shown in Table 2, inflation accelerated

during the early 1960's and reached the yearly rate of 125 per cent during 1967/68. After that year, deflationary government policies—including a wage-and-price freeze—succeeded in bringing the rate of inflation down to about 20 per cent yearly. Although a thorough study of inflation in Uruguay has yet to be undertaken, there seems to be little doubt that fiscal and monetary mismanagement greatly contributed to (if they did not cause) the inflation spiral. For example, the year prior to the 125 per cent record inflation, the country's money supply was expanded by 110 per cent (from 14,725 million to 30,976 million

Table 1: URUGUAY: INDEX OF THE BEHAVIOR OF KEY ECONOMIC AGGREGATES

Item	1961	1963	1965	1967	1969	1971*
Per Capita GNP**	100	94	95	91	95	100
Gross Investment**	100	86	61	71	83	78
Per Capita Agricultural Production***	98	98	101	78	88	84
Per Capita Food Production***	95	96	104	76	89	88

* = Preliminary; ** = 1961 = 100; *** = 1961–1965 = 100.
Source: Bureau for Latin America, Agency for International Development, *Summary Economic and Social Indicators, 18 Latin American Countries: 1960–1971* (Washington, D.C.: A.I.D., June 1972), various tables.

pesos) and the government deficit rose by an unheard-of 1,500 per cent (from 295 million to 4,705 million pesos). Part of the inflation may also have been caused or aggravated by food shortages. For instance, during 1966/67, per capita food production fell by almost 16 per cent. (See Table 2.)

What are the reasons for Uruguay's tremendous economic failures? Why did output fail to grow, and why did the government allow inflation to get so out of hand? To these questions we now turn our attention.

The process of economic development is a very complicated one, and economists are still trying to

Table 2: URUGUAY: INFLATION, THE QUANTITY OF MONEY, THE GOVERNMENT DEFICIT, AND FOOD PRODUCTION

Years	Yearly Percentage Consumer Prices	Changes In: Money Supply	Government Deficit	Food Production
1962/63	22.0	29.0		1.1
1963/64	41.0	42.0		13.5
1964/65	56.7	102.7		-4.6
1965/66	73.8	40.1	-84.5	-13.5
1966/67	89.6	110.4	1,500.0	-15.6
1967/68	125.1	53.5	-11.2	21.1
1968/69	20.3	61.3	184.5	-3.3
1969/70	17.3	14.4	-31.9	9.0
1970/71	23.6	54.1	414.9	-9.3*

* = Preliminary

Source: Consumer prices (index, 1963 = 100), money supply (in millions of pesos), and government deficit data (in millions of pesos) are from the International Monetary Fund's *International Financial Statistics*, various issues; per capita food production data (index, 1961-1965 = 100) is from A.I.D.'s *Summary Economic and Social Indicators*. . . , *op. cit.*, p. 46.

understand the secrets of that process. It is known, for instance, that the quantity and quality of labor, the availability of natural resources, the introduction of modern technology, the transformation of economic and political institutions, the supply of managerial and entrepreneurial talent, the degree and form of government intervention, and the widespread use of machinery and other capital goods play key roles in the economic development of a nation. What is still being researched is the particular manner in which all these forces of economic growth combine themselves at the "right" time and in the "right" way to cause a sustained increase in aggregate output.

Yet one fundamental relationship is clear. Just as the individual has the choice of whether to consume all of his income at once and save nothing, or consume part of his income and save the rest for future consumption, nations are faced by the same dilemma. Unless it is assisted by massive doses of foreign aid and capital, a nation must somehow decide how much to consume in the present and how much to invest for future consumption, bearing in mind that greater consumption today necessarily implies lesser economic growth and consumption tomorrow.

"MISPLACED MODERNITY"

Herein lies the key to understanding Uruguay's economic reality. It is a society which chose to "live it up" while neglecting the need to nurture the country's economic future. Several authors have already

commented on this point. In 1965 and 1966, Herman E. Daly described how Uruguayans were concerned with the distribution of output rather than with its production, and how three different hypotheses concerning the decline of the country's economy coincided on blaming "misplaced modernity," i.e., a desire on the part of Uruguayans for leading a life which the economy could not really afford.¹ In reviewing the economic decline of Uruguay, David C. Redding concluded in 1967 that:

If the general public cannot be convinced that a more competitive economic system, harder work and a changed pattern of investment are necessary to preserve the good life, stabilization prospects will be dim and Uruguay will continue to face an uncertain economic future.²

Samuel Shapiro has also written that Uruguayan political leaders:

have felt it psychologically unpalatable and politically impossible to tell their countrymen the truth: that they are living beyond their means, not working hard enough, retiring too early, and aspiring to consume without producing.³

Two facts illustrate the point and suggest necessary reforms. Table 3 shows the ratio of consumption (private and private plus government) to gross fixed capital formation during 1966 and 1971. The gap between Uruguay's ratio and that of other countries is illuminating. In 1971, for instance, for every unit of realized investment, Uruguayans and their government consumed 9.5 units. In New Zealand, a country similar to Uruguay in terms of population and livestock production, the ratio was 1 to 3.3. This means that for every unit of investment, Uruguayans consumed three times more of their own output than New Zealanders did. South Korea's gap is similar; Japan's is much greater; the Uruguayan gap is somewhat narrower than that of such high-income countries as the United Kingdom and the United States.

The second fact concerns Uruguay's sectoral struc-

¹ Herman E. Daly, "The Uruguayan Economy: Its Basic Nature and Current Problems," *Journal of Inter-American Studies*, Vol. III, No. 3 (July, 1965), pp. 316-330; and also "An Historical Question and Three Hypotheses Concerning the Uruguayan Economy," *Inter-American Economic Affairs*, Vol. XX, No. 1 (Summer, 1966), pp. 87-93.

² David C. Redding, "The Economic Decline of Uruguay," *Inter-American Economic Affairs*, Vol. XX, No. 4 (Spring, 1967), p. 72.

³ Samuel Shapiro, "Uruguay's Lost Paradise," *Current History*, Vol. LXII, No. 366 (February, 1972), pp. 100-101.

Table 3: PRIVATE AND PUBLIC CONSUMPTION VS. CAPITAL FORMATION: AN INTERNATIONAL COMPARISON

Country	Year	Private Consumption Per Gross Fixed Capital Formation	Private Plus Public Consumption Per Gross Fixed Capital Formation
URUGUAY	1966	6.7	7.9
	1971	7.7	9.5
New Zealand	1966	2.5	3.1
	1971	2.6	3.3
South Korea	1966	3.9	4.4
	1971	3.2	3.7
Japan	1966	1.8	2.1
	1971	1.5	1.8
United Kingdom	1966	3.6	4.6
	1971	3.5	4.5
United States	1966	4.4	5.9
	1971	4.5	6.1

Source: Computed from the International Monetary Fund's *International Financial Statistics*, vol. XXVI, no. 8 (August, 1973), pp. 210, 222, 264, 364, 368, 372.

ture of production. In this respect, the country's economy is radically different from those of other less developed nations. In most less developed nations, agriculture usually generates from 35 to 60 per cent of the domestic product; in Uruguay, it generates only 15 per cent. As concerns industry and services, they form about 35 and 50 per cent of Uruguay's domestic product, respectively. These statistics tend to identify Uruguay as a country whose sectoral structure is much closer to that of the industrial countries of the world. In the developed countries, however, industry and agriculture appear to have been the source of most output and productivity gains as well as the heaviest contributors to economic growth. In Uruguay, dependence on a huge services sector reflects the nation's bias in favor of the amenities and comforts it provides, despite few possibilities that the services sector can be a source of long-run output and productivity growth.

Hence, if the country wishes to improve its economic record it will have to enact policies designed to encourage an expansion of long-neglected agricultural and industrial supplies while curbing private and government consumption. In the case of agriculture, proper economic incentives and institutions must be introduced so that sizable investments on expanded and improved livestock and crops, technology, disease control, and other sources of high output and productivity growth become profitable to the individual entrepreneur. In this respect, Uruguay's tax system, credit opportunities, exchange rate policies, price-and-wage legislation, land tenure systems, agricultural research capabilities, and other economic and social structures must begin to favor agricultural producers.

Industry, on the other hand, has stagnated because of its confinement in a small domestic market under heavy protectionism. Much of the current inefficient and expensive industrial structure may have to be abandoned in favor of light manufacturing designed to process an expanded livestock and crop output.

None of this can take place until the Uruguayan government and its people decide to tighten their belts and give the highest priority to investment for the well-being of future generations.

RECENT POLITICAL HISTORY

Uruguay's twentieth century history was, up to the early 1960's, one of relative stability, constitutional rule, and representative democracy. But as the economy began to falter and economic growth came to a grinding halt, social tensions heightened and the entire political system was forced to perform under heavy strain. The gross national product had stopped growing and had started to shrink; so various social groups engaged in aggressive market behavior to preserve their share of the domestic product. Labor strikes became a monthly and then a weekly activity in which mailmen, textile workers, teachers, bus drivers, meat-packers, students, hospital employees, bank clerks, and so on took turns in demanding a "fair" share for their services. As inflation mounted, so did the struggle to maintain everyone's purchasing power, and cost and profit-push inflation aggravated the initial price-level increases. The confrontation between workers and management, students and administrators, and public employees and government budgeting officials placed an incredible strain on Uruguay's traditional political parties, government structure, and individual political leaders.

As a last resort on the part of politicians, the constitution was amended in 1966 to provide for a strong, one-man executive branch as a replacement of the country's unique nine-man Executive Council. Retired General Oscar Gestido, a liberal politician and able administrator, became the new President and made a promising beginning. Nine months later, however, he died of a heart attack and was replaced by his Vice President, Jorge Pacheco Areco. Pacheco, a little-known politician nominated after an obscure intraparty deal, was thrown into the challenging yet uncomfortable position of having to preside over a country in economic trouble and political turmoil.

(Continued on page 38)

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BOOK REVIEWS

ON LATIN AMERICA

THE DEVELOPMENT OF TROPICAL LANDS: POLICY ISSUES IN LATIN AMERICA. By MICHAEL NELSON. (Baltimore and London: Published for Resources for the Future, Inc., by The Johns Hopkins University Press, 1973. 201 pages, foreword, introduction, tables, charts, maps and index, \$12.50.)

Economic planners in Latin America have been in conflict over what role the vast underdeveloped tropical areas of the Latin American heartland should play in the future development of their countries. Because the experience in the development of lands in the humid tropics is very mixed, with no clear understanding why some developments have prospered and others have failed, and no clear assessment of the effect of such developments on the overall economy of the countries, the Latin American Institute for Economic and Social Planning and Resources for the Future, Inc., sponsored the research which resulted in this valuable study by Michael Nelson. Nelson undertook a detailed examination of 24 land development projects in Mexico, Costa Rica, Bolivia, Ecuador, Peru, Paraguay, Colombia and Brazil. "The projects were selected as being representative of the principal procedures applied in new-land development since 1950, a range of ecological and locational situations, and a variety of institutional conditions." The studies indicate that certain prerequisites for success are absolutely essential: markets, with associated highway access, and organization for settlement. The author emphasizes that few spheres of economic development have a history of failure to match that of government-sponsored colonization in humid tropical lands and he cites the need for massive research in order to fill in the gaps in the knowledge needed for formulating policy for the development of Latin America's humid tropical lands. In the meantime it would seem that a prudent approach to movement into pioneer areas should be adopted, because "Little in the record sustains the theses that the tropical countries are metaphorically 'floating on a lake of oil' in the form of their huge virgin forest lands . . . or that the key to rapid economic development is a large infusion of capital for flattening the jungle so that bananas, cattle or corn can be grown and processed." To equate these tropical virgin lands with Argentina's pampas or Venezuela's oil is "indeed wishful thinking . . . and it can be argued that these unexploited areas have some potentially

negative features in that euphoria over their development prospects causes nations to divert resources and energy from the really crucial problems to be solved."

Mary M. Anderberg

INFLATION AND ECONOMIC DEVELOPMENT IN BRAZIL, 1946-1963. By RAOUF KAHIL. (Oxford: Clarendon Press, 1973. 334 pages, preface, map, tables, statistical appendix and index, £11 net in U.K.)

Inflation in Brazil is not a passing phenomenon, as Raouf Kahil points out in his introduction. It has been endemic in Brazil since colonial times, but the intensity of the problem has increased enormously in the last decades. From 1500 to 1822 prices increased tenfold, from 1822-1900 another tenfold increase occurred; the third occurred in 50 years (1900-1950); the fourth in eleven years (1951-1960-1961). Before examining the factors involved in the last violent inflationary spirals, Kahil provides considerable background material. In the first part of his book he offers a survey of Brazil's economic geography and history and of the structural generators of inflationary pressures. There is an excellent analysis of the agricultural sector of the economy which deals with land and population distribution, agricultural costs, wages and prices. He outlines the impact of industrialization and urbanization in Brazil. Capital supply, investments, savings, income distribution and price structures and foreign trade are thoroughly evaluated. In the second part of his study he deals with supply, consumption, investment, the behavior of prices, monetary demand and economic policies during four phases of the most recent inflationary spirals: 1945-1948, 1948-1954, 1954-1958 and 1959-1963. He notes that the immediate causes of the persistent price rises in 1948-1964 are "large and generally growing public deficits, together with too rapid an expansion of bank credit in the first years and, later, exaggerated and more and more frequent increases in the legal minimum wages." Other primary causes he charges to the political sector whose leadership was determined to pursue its two major aims: rapid industrialization and the securing of the allegiance of the urban masses. The creation of hundreds of thousands of jobs in the public sector and in state-controlled enterprises was popular provided they were paid for not by taxes but by issuing paper money. Also popular were the subsidization of imported wheat, and price controls on food and other necessities. Brazil's

successive governments had little inducement to introduce measures of stabilization which would have antagonized the important pressure groups and would have been unpopular with the masses.

M.M.A.

POLITICS AND THE LABOUR MOVEMENT IN CHILE. BY ALAN ANGELL.

(London: Published for the Royal Institute of International Affairs by Oxford University Press, 1972. 271 pages, acknowledgements, introduction, tables, map, appendices, select bibliography and index, \$17.00.)

Readers of this magazine are well acquainted with Alan Angell's keen analyses of Chilean affairs. In the first part of this study he examines the history and operation of the labor movement in Chile from its origins in the late nineteenth century up to the election of Allende. He illustrates those features of unionism in Chile which are unusual in Latin America: Chile's union movement is large and representative enough not to represent an aristocracy of labor with no ties to the broader working class; the unions have not been controlled by the state or by employers, nor have they been controlled by the Ministry of Labor or the official party as in Mexico or Brazil; and no one political party has dominated the unions to the exclusion of others. Most unions in Chile are small, and collective bargaining, as it has functioned under the law, has been largely a matter of an individual plant union negotiating with an individual employer. The legal code was devised in the 1920's and it has imposed severe limitations on the unions.

The system of labor relations is dealt with in a separate chapter. Part two of Angell's study is concerned with the complex relationship of the unions and the political parties: Socialist, Communist, Radical, and Christian Democrat. Two appendices deal with rural unionism and with the external influences in the Chilean labor movement. M.M.A.

EL SALVADOR. BY ALASTAIR WHITE. (New York: Praeger Publishers, 1973. 259 pages, maps, illustrations, appendices, bibliography and index, \$10.00.)

This is a well-written survey of the history, political, economic and social structure of the smallest and most densely populated country of the Americas. El Salvador's severe economic and social problems are thoroughly outlined and recent economic and social development programs are critically examined. The author points out that the recent form of industrial development shows no signs of leading to an improvement in the situation of the majority of the population, and the social policies being pursued by the government tend to

serve the middle class or "help select which individuals from the mass of the population are to be drawn up into the middle class." El Salvador's relationships with her Central American neighbors and with the United States are carefully reviewed.

M.M.A.

LATIN AMERICAN MODERNIZATION PROBLEMS: CASE STUDIES IN THE CRISES OF CHANGE. EDITED BY ROBERT E. SCOTT. (Urbana: University of Illinois Press, 1973. 356 pages, tables and index, \$12.50.)

The eight essays included in this volume illustrate various conditions in the Latin American states involved in the transition toward modernity. They are the result of field studies and research programs sponsored by the Center for Latin American Studies at the University of Illinois. The field studies were conducted in Mexico, Brazil, Peru, Ecuador and Colombia, but the conditions and problems studied exist throughout the region wherever tradition is giving way to modernization. The essays deal with such diverse subjects as agrarian reform, racial relations, internal migrations, squatters and shantytowns, external financing, "Culture, Politics, and the Urban Factory Worker in Brazil," "An Appraisal of the Reformist Development Strategy of Peru," and "National Integration Problems and Military Regimes in Latin America." M.M.A.

BRAZIL: THE LAND AND PEOPLE. SECOND EDITION. BY ROLLIE E. POPPINO. (New York: Oxford University Press, 1973. 369 pages, foreword, chronology, guide to literature, tables, maps and index, \$9.50.)

Professor Poppino's highly regarded study of the society and economy of Brazil was first published in 1968. In this new edition he has incorporated material dealing with the vast economic and social changes which have occurred in Brazil in the last five years. He also has added to the excellent "Selective Guide to the Literature on Brazil" a representative listing of new works in English.

M.M.A.

THE SPANISH-AMERICAN REVOLUTIONS, 1808-1826. BY JOHN LYNCH. (New York: W. W. Norton & Co., Inc., 1973. 432 pages, preface, principal personages, glossary of Spanish terms, notes, bibliographical essay, map, and index, \$15.00.)

John Lynch, who is Professor of Latin American History at the University of London, has written a lively account of the revolutions in the Spanish-American colonies in the early part of the nineteenth century. He describes the powerful forces

which led to revolution, the heroic leaders and the fruits and burdens of victory.

Independence, [he writes], was a powerful yet finite force, which tore through Spanish America like a great storm, sweeping away the lines of attachment to Spain and the fabric of colonial government, but leaving intact the deeply rooted bases of colonial society. . . . Political independence was only the beginning, Latin America still awaited —still awaits—those further revolutions in social structure and economic organization without which its independence must remain incomplete and its needs unfulfilled.

M.M.A.

Also on Latin America . . .

FOR THE LIBERATION OF BRAZIL. By CARLOS MARIGHELA. Translated by John Butt and Rosemary Sheed. With an Introduction by Richard Gott. (Baltimore, Md.: Penguin Books, 1972. 191 pages, \$1.45 paper.)

GIVE US THIS DAY. By HOWARD HUNT. (New Rochelle, N.Y.: Arlington House, 1973. 222 pages, foreword, illustrations and index, \$7.95.)

GREEN HELL: MASSACRE OF THE BRAZILIAN INDIANS. By LUCIEN BODARD. Translated by Jennifer Monaghan. (New York: Outerbridge & Dienstfrey, 1972. 291 pages, glossary and illustrations, \$8.95.)

HAITI: ITS STAGNANT SOCIETY AND SHACKLED ECONOMY. By O. ERNEST MOORE. (New York: Exposition Press, 1972. 263 pages, preface and notes, \$8.00.)

LABOR ORGANIZATIONS IN THE UNITED STATES AND MEXICO. A HISTORY OF THEIR RELATIONS. By HARVEY A. LEVINESTEIN. (Westport, Conn.: Greenwood Publishing Co., 1972. 240 pages, bibliography and index, \$11.00.)

LATIN AMERICA. REVISED EDITION. By HAROLD BLAKEMORE. (London: Oxford University Press, 1973. 125 pages, maps, illustrations, suggested readings and index, 60 p. net in U.K., paper.)

LATIN AMERICA: A REGIONAL GEOGRAPHY. THIRD EDITION. By GILBERT J. BUTLAND. (New York: John Wiley & Son, 1973. 434 pages, preface, maps, illustrations, tables, charts, statistics, glossary, references and index, \$8.50.)

THE LATIN AMERICAN SCENE OF THE SEVENTIES: A BASIC FACT BOOK. By IRVING B. REED, JAIME SUCHLICKI AND DODD L.

HARVEY. (Miami: University of Miami, 1972. 145 pages, preface, introduction and appendices of American firms, subsidiaries and affiliates in 24 Latin American countries, and index; \$3.95 paper, \$4.95 hardcover.)

LATIN AMERICA TOWARD A NEW NATIONALISM. By GEN S. STEPHANSKY. Foreign Policy Association Headline Series, No. 211. (New York: Foreign Policy Association, 1972. 62 pages, \$1.00.)

OPEN VEINS OF LATIN AMERICA: FIVE CENTURIES OF THE PILLAGE OF A CONTINENT. By EDUARDO GALEANO. Translated by Cedric Belfrage. (New York: Monthly Review Press, 1973. 283 pages, references and index, \$8.95.)

THE PUERTO RICAN EXPERIENCE: A SOCIOLOGICAL SOURCEBOOK. By FRANCESCO CORDASCO AND EUGENE BUCCHIONI. (Totowa, N.J.: Littlefield, Adams & Co., 1973. 354 pages, preface, bibliography, chronology and index, \$4.95 paper.)

THE PUERTO RICANS: A DOCUMENTARY HISTORY. EDITED BY KAL WAGENHEIM WITH OLGA JIMÉNEZ DE WAGENHEIM. (New York: Praeger Publishers, 1973. 322 pages, introduction, illustrations, bibliography and index, \$12.50.)

THE REVOLUTIONARIES, TRADITIONALISTS AND DICTATORS IN LATIN AMERICA. By HAROLD E. DAVIS. (New York: Cooper Square Publishers, Inc., 1973. 200 pages, preface and index, \$7.50.)

SPANISH AMERICA. 1900-1970: TRADITION AND SOCIAL INNOVATION. By FREDERICK B. PIKE. (New York: W. W. Norton & Co., Inc., 1973. 168 pages, preface, illustrations, select bibliography and index, \$7.95.)

UNIVERSITY STUDENTS AND REVOLUTION IN CUBA: 1920-1968. By JAIME SUCHLICKI. (Coral Gables, Fla.: University of Miami Press, 1972. 135 pages, notes, bibliography and index, \$6.95.)

URBAN GOVERNMENT FOR RIO DE JANEIRO. By IVAN L. RICHARDSON. (New York: Praeger Publishers, 1973. 202 pages, maps, tables, charts and bibliography, \$15.00.)

CURRENT DOCUMENTS

U.S.-Cuban Agreement on Hijacking

On February 15, 1973, United States Secretary of State William P. Rogers signed a note addressed to Jaroslav Zantovsky, Charge d' Affaires ad interim of the Czechoslovak Socialist Republic, representing Cuban interests in the United States. The full text of the Memorandum of Understanding on hijacking follows:

FEBRUARY 15, 1973.

SIR: I refer to the Memorandum of Understanding on the hijacking of aircraft and vessels and other offenses which has resulted from conversations which have taken place between the Embassy of Switzerland, representative of the interests of the United States of America in Cuba, and representatives of the Government of the Republic of Cuba, the text of which is as follows:

**MEMORANDUM OF UNDERSTANDING ON HIJACKING OF
AIRCRAFT AND VESSELS AND OTHER OFFENSES**

The Government of the United States of America and the Government of the Republic of Cuba, on the bases of equality and strict reciprocity, agree:

FIRST: Any person who hereafter seizes, removes, appropriates or diverts from its normal route or activities an aircraft or vessel registered under the laws of one of the parties and brings it to the territory of the other party shall be considered to have committed an offense and therefore shall either be returned to the party of registry of the aircraft or vessel to be tried by the courts of that party in conformity with its laws or be brought before the courts of the party whose territory he reached for trial in conformity with its laws for the offense punishable by the most severe penalty according to the circumstances and the seriousness of the acts to which this Article refers. In addition, the party whose territory is reached by the aircraft or vessel shall take all necessary steps to facilitate without delay the continuation of the journey of the passengers and crew innocent of the hijacking of the aircraft or vessel in question, with their belongings, as well as the journey of the aircraft or vessel itself, with all goods carried with it, including any funds obtained by extortion or other illegal means, or the return of the foregoing to the territory of the first party; likewise, it shall take all steps to protect the physical integrity of the aircraft or vessel and all goods, carried with it, including any funds obtained by extortion or other illegal means, and the physical integrity of the passengers and crew innocent of the hijacking, and their belongings, while they are in its territory as a consequence of or in connection with the acts to which this Article refers.

In the event that the offenses referred to above are not punishable under the laws existing in the country to which the persons committing them arrived, the party in question shall be obligated, except in the case of minor offenses, to return the persons who have committed such acts, in accordance with the applicable legal procedures, to the territory of the other party to be tried by its courts in conformity with its laws.

SECOND: Each party shall try with a view to severe punishment in accordance with its laws any person who, within its territory, hereafter conspires to promote, or promotes, or prepares, or directs, or forms part of an expedition which from its territory or any other place carries out acts of violence or depredation against aircraft or vessels of any kind or registration coming from or going to the territory of the other party or who, within its territory, hereafter conspires to promote, or promotes, or prepares, or directs, or forms part of an expedition which from its territory or any other place carries out such acts or other similar unlawful acts in the territory of the other party.

THIRD: Each party shall apply strictly its own laws to any national of the other party who, coming from the territory of the other party, enters its territory, violating its laws as well as national and international requirements pertaining to immigration, health, customs and the like.

FOURTH: The party in whose territory the perpetrators of the acts described in Article FIRST arrive may take into consideration any extenuating or mitigating circumstances in those cases in which the persons responsible for the acts were being sought for strictly political reasons and were in real and imminent danger of death without a viable alternative for leaving the country, provided there was no financial extortion or physical injury to the members of the crew, passengers, or other persons in connection with the hijacking.

FINAL PROVISIONS:

This Agreement may be amended or expanded by decision of the parties.

This Agreement shall be in force for five years and may be renewed for an equal term by express decision of the parties.

Either party may inform the other of its decision to terminate this Agreement at any time while it is in force by written denunciation submitted six months in advance.

This Agreement shall enter into force on the date agreed by the parties.

Done in English and Spanish texts which are equally authentic.

In compliance with the express instructions of my Government, I wish to convey its acceptance of the Memorandum of Understanding transcribed above, as well as its agreement that the simultaneous exchange of notes taking place in Washington between the Department of State and the Embassy of the Czechoslovak Socialist Republic, representative of the interests of the Republic of Cuba in the

(Continued on page 40)

CUBA FIFTEEN YEARS LATER (Continued from page 14)

in the United States, sober voices of politicians and public figures are raised increasingly about the need to reexamine [American] relations with Cuba," said the Soviet government newspaper *Izvestia* in September, 1973. The Moscow newspaper then added that "Cuba's peace-loving foreign policy is convincing proof of her desire to live in peace and friendship with all peoples, above all with the peoples of Latin America."⁸

CASTRO'S AMBIVALENCE

Castro has long been ambivalent about improving his relations with the United States. He has not publicly shown any interest in seeking rapprochement with Washington, lest this be interpreted as a sign of weakness. While protesting the "United States blockade," Cuba has asserted she has defeated the American policy of economic denial. At the same time, Castro knows that an agreement of some sort with Washington would enhance his prestige, especially in Latin America, where many countries would then resume relations with Cuba. But at the same time Castro realizes that such an agreement would be preceded by discussions between Washington and Moscow. Mindful of his October, 1962, experience, when John F. Kennedy and Nikita Khrushchev resolved the Cuban missile crisis while ignoring him completely, he is suspicious that the two superpowers will make decisions about Cuba behind his back, or perhaps at his expense.

What freedom of action Cuba has in formulating her policy vis-à-vis the United States is an unknown factor. Her dependence on Russian economic aid is so complete that probably no new foreign policy moves can be made unilaterally by Havana. Soviet economic aid to Cuba, estimated in 1973 at \$700 million, is not likely to decrease in 1974. Cuba requires annually about six million tons of Russian petroleum products (97 per cent of Cuba's total consumption), and this oil is transported by Soviet tankers over 10,000 miles of sea.

Not wanting to make the Soviet effort to support the Cuban economy any easier, Washington might also fear that a relaxation of its Cuban policy could result in the immediate reestablishment of Venezuelan-Cuban ties and in the beginning of a flow of Venezuelan petroleum to the Caribbean island at the expense of the oil-starved American market. Thus, unless Moscow offers an attractive political quid pro quo, Washington is unlikely to change its present Cuban policy. Besides, in late 1973, government

leaders in the two capitals barely had time to discuss current explosive world issues, not to mention turning their attention to the essentially peaceful if not dormant issue of Cuba.

Thus Cuba plods along, beset by more serious internal economic difficulties than her leaders publicly concede. The Cuban society continues to be restrictive internally. There is no room for the expression of open dissent, even within the government and Communist party structures. There have been no efforts to liberalize the system, and Cuba has yet to produce her first Sakharov.

There are many aspects of life in Cuba that foreigners ignore, since few political scientists and knowledgeable journalists are allowed to visit the country. Little is known, for example, about the decision-making process within the government and the Communist party, about the governing elite and its relationship to the rest of the population, and about the ways in which Soviet bloc technicians participate, directly or indirectly, in the running of the country. Having abandoned their lofty revolutionary ideals of the early days, and having become more realistic by formulating less ambitious socio-economic goals, Cuban leaders in a way have strengthened their hold on the country. But apparently they have not yet reached a stage of self-confidence advanced enough to allow them to open the doors of the island to streams of inquisitive foreign visitors and even to nostalgic exiled compatriots.

BRAZIL (Continued from page 5)

four years in office, the participation of the public and even of the official party in policy formation and the broad political process has been progressively circumscribed. This trend stands in marked contrast to the hopes for relaxation of political restraints that were aroused by Médici's inauguration. At that time, several signs seemed to point toward a return to more open, democratic rule. The Congress had been reconvened and remained in session, prior censorship of the press had been lifted, and the new President had reiterated his own hope to leave democracy established in Brazil by the end of his term. But while the politicians and the press became bolder in calling for abolition of Institutional Act No. 5, and for direct elections for governors and the President, Médici moved to strengthen the power of his office. Institutional Act No. 5 and the provisions for indirect elections remained in force. As head of ARENA, he assumed personal responsibility for selecting its candidates for governor and Congress. As chief of state he ruled, in the national interest, that the parties should not concern themselves with the choice of candidates to succeed him until mid-1973 and, on

⁸ *Izvestia*, Moscow, September 8, 1973.

grounds of national security, he banned all discussion of the presidential succession in the press before that date.

The gap between promise and performance points up the wide differences that exist between civilian political groups and the administration over the urgency for the restoration of democracy and over the concept of democracy itself. It also reveals the persistence within the administration of long-standing military suspicion and distrust of professional politicians. And it reflects the conviction—by no means confined to members of the armed forces—that before 1964 the political parties were irresponsible, undisciplined, uncooperative, and ineffective. They engaged in endless debate and a continuous round of demagogic electoral campaigns that confused the electorate and splintered public opinion, thereby contributing directly to the discord that kept Brazil an underdeveloped country. That, in the military view, was a distortion of democracy. The Médici administration, like its immediate predecessors, is determined that such distortions shall not exist in the new, uniquely Brazilian democracy that is being created by the revolution.

It seems paradoxical that the greater the authority exercised by the President, the less willing the government becomes to tolerate criticism. The Médici administration commands the instruments of power throughout Brazil, and under the law this situation cannot be changed without the consent and cooperation of the President. The small terrorist organizations barely subsisting underground are not capable of armed protest on a scale to cause serious embarrassment; at the same time the regime's control of the political process should permit it to shrug off non-violent criticism. Yet during 1973 the administration took vigorous action to avert protests of both kinds. In March, a new police campaign was launched against terrorists and other subversives. Hundreds of arrests were made and more than a dozen Communists were killed in encounters with the police. The repression continues without respite. In April, the regime struck at the press, reinstating prior censorship of newspapers and extending it to Brazilian and foreign periodicals circulating in the country. No comment disparaging to the government was allowed to appear in print. The censorship is still in force.

It was in this political climate that General Ernesto Geisel was chosen as the administration candidate to succeed Médici.⁴ No details have been released on prior consultations within the military, but it is taken for granted that President Médici was con-

firmed the selection of the armed forces high command when, on June 15, he announced that Geisel's name would be submitted for nomination by the ARENA convention in September. The election of Geisel was a foregone conclusion from that moment, because the political situation does not allow the possibility of an opposition victory. The formal election is the responsibility of the electoral college comprised of the 310 congressmen, 66 senators, and a number of delegates from the state legislatures to be determined by the Superior Electoral Tribunal in proportion to the number of registered voters. Since ARENA controls two-thirds of both houses of Congress and a large majority in 21 of the 22 states, and since each delegate is legally bound to vote for his party's choice, there is no way for the MDB candidate to receive a majority vote.

General Geisel, who is 65, and from Rio Grande do Sul, as were Costa e Silva and Médici, has ample qualifications for presidential office. He is intimately identified with the revolution and has held a series of important posts in the past decade, but his record of public service in civil positions goes back many years before 1964. By the time he reached the rank of general at 53, Geisel had already served as secretary of finance and public works in the state of Paraíba, as superintendent of the President Bernardes oil refinery, and as a member of the National Petroleum Council. In the Castello Branco government, he was chief of the military Cabinet and secretary-general of the National Security Council. In 1967, he was appointed to the Military Supreme Court, and from 1969 until his nomination for President he was director of Petrobrás. Geisel's experience outside Brazil includes attendance at the United States Army Command and General Staff College and a tour of duty as military attaché to Uruguay. His brother, Orlando Geisel, is the present war minister.

In his acceptance speech at the ARENA convention in Brasilia, Geisel gave few clues to the character of his future administration, but made it clear there would be no sharp break with current trends. Stating that it would be "premature and pretentious" for him to outline a platform at variance with the present three-year developmental program, which runs through 1974, he indicated that the results of the program would dictate the direction of subsequent policies. In the most distinctive sections of his speech, Geisel stressed the importance and interdependence of "security and development," placing somewhat more emphasis on the latter. Later, on the campaign trail, the official candidate reiterated these same themes.

In late September, the MDB met in convention to nominate the party president, Senator Ulisses Guimaraes, as its candidate to run against Geisel.⁵ The decision was taken after lengthy debate and over pro-

⁴ For the following information on the Geisel candidacy and the ARENA convention, see *Veja* (São Paulo), September 19, 1973, pp. 20-27.

⁵ *Ibid.*, pp. 28-30.

tests by a large minority who preferred to boycott the presidential campaign, and then only on condition that the government honor its guarantee to provide equal television and radio time for both candidates. This opportunity to reach the public appealed strongly to MDB leaders, who had long complained that they were allowed to debate freely in Congress but that censorship prevented the people from reading their arguments. Guimaraes later explained to the press that the MDB campaign had three main objectives. These were to fulfill its constitutional role of scrutinizing and criticizing the government, to carry its program to the people throughout Brazil (emphasizing the demands to abolish Institutional Act No. 5 and to restore the direct vote), and to urge the voters—who had no voice in the presidential election—to elect opposition candidates in the November, 1974, legislative contests.⁶

Even though there was no doubt about the outcome, the presidential campaign represented a new political development in revolutionary Brazil. For the first time since 1960, the public was treated to the spectacle of rival candidates for the nation's highest office traveling about the country and discussing the issues of the day from markedly different points of view. Geisel, in effect, called serenely for the continuation of a successful formula for rapid economic development and ordered social change. The opposition injected an anti-foreign note in discussion of the economic scene, but concentrated primarily on the need for political change, resorting to anger, sarcasm, and ridicule to convince its audience. Guimaraes lampooned the system by noting that a republic that does not consult its citizens, and a democracy that silences the voice of the ballot box, is a fit subject for Brecht's theater of the absurd, which once advised that when a government loses confidence in the people it should dissolve the people and elect a new one.⁷ Campaign oratory of this sort had gone out of style with the revolution in 1964.

The pending inauguration of President Geisel once more arouses speculation about the future course of the Brazilian revolution. While the President-elect has said nothing to encourage hopes or fears for change, he will surely have to deal with at least three critical issues, any one of which could put the revolution on a different tack during his term. A potential problem of the first magnitude stems from the world energy crisis, the Arab-Israeli conflict, and Brazil's heavy dependence on crude oil from the Near East. If imports from this area were cut off or drastically reduced, the impact on the Brazilian economy would be catastrophic, for supplies on hand are seldom enough to meet current demand for more than two

months, and the production of Brazil's present oil-fields cannot be greatly increased. The Médici regime has been developing alternative sources of petroleum, but these are not likely to meet all of Brazil's oil import requirements in the next four years. As an experienced public administrator long associated with the state petroleum industry, Geisel is fully conscious of the implications of the energy crisis that will persist through his term of office. At best, the search for new sources of petroleum at home and abroad will receive much higher priority in his administration. At worst, Geisel will find himself presiding over a stalled economy, the target of rising political disaffection.

Anti-foreign nationalism is another issue that appears certain to affect the economy or the political situation during Geisel's term. From the outset, the economic development policies of the revolutionary regimes have drawn criticism—from some members of the government as well as its opponents—on the ground that too much reliance was placed on foreign capital, with the result that foreign investors received too many advantages and profited unduly from the economic boom, at the expense of Brazil. To date, the revolutionary administrations have rejected the anti-foreign argument, holding that the urgent need for huge amounts of capital and capital goods to promote and sustain rapid economic growth justified and continues to justify the favorable terms extended to lenders and investors from abroad. Geisel will be required to weigh the question and decide whether his regime will continue the former policy—and risk driving a growing number of nationalists into the arms of the opposition party—or adopt a more restrictive policy toward foreign capital, and face the prospect of a lower rate of economic growth.

The third and perhaps most serious issue concerns the nature of the political system in revolutionary Brazil. Geisel may not have to take action soon, but change cannot be indefinitely postponed. The country has had 10 years of authoritarian rule in which basic decisions have been made by military leaders acting on the recommendation of apolitical technocrats. The accomplishments have been truly impressive, but the very success of the government's programs has strengthened the impression that the leaders feel they always know best, and have no need to consult the Congress or the people. The system does not allow for the possibility that widespread public discussion and debate of the questions at issue might lead to even more satisfactory results.

The implication that they have nothing to contribute to the political process is demeaning to many Brazilians who are intelligent and successful in their careers. They resent the suggestion, much less the fact, of political tutelage. Their resentment and their numbers are growing. It seems certain that the

⁶ "Latin America & Western Europe," FBIS, Daily Report, October 1, 1973.

⁷ *Loc. cit.*

Geisel administration will have to deal seriously with the question of whether, to what extent, and how many of the Brazilian people should take part in the political process at all levels, from simple discussion of political issues to the selection of the President. The decision could determine the shape of the new Brazilian democracy for a generation.

ARGENTINA

(Continued from page 18)

frequent press reports of shoot-outs and kidnappings of businessmen. At this writing, there is no indication that terrorist activities will end. Perón finds himself in a political quagmire of indecision because, as an astute politician, he knows he cannot really afford to antagonize the left or the right within his own Justicialist movement. His ability to rule and to exercise his presidential authority effectively is severely circumscribed by this division among his followers. Still, Perón has assumed the awesome responsibility of working toward pacification and thereby hopefully precluding the continuing violence and chaos that could shorten his tenure as President.

In an address to the Argentine Legislative Assembly on May 1, 1966, President Arturo Illia made the now famous announcement: "El pasado no puede dividir a los Argentinos, de la misma manera que no puede regresar." That is to say: "The past cannot divide the Argentines, and it cannot return."¹⁶ But Argentina has really never been able to shake off the cloak of her past, and now the past is part of her future. Juan Perón has returned, and many who once wished he were dead now consider him their only hope for some measure of stability. It is Perón's responsibility to make sure that past mistakes do not continue to divide this remarkable country and to set the nation back on the path toward political development.

¹⁶ Arturo Illia, "Mensaje Presidencial," *Diario de Sesiones Cámara de Senadores de la Nación*, May 1, 1966.

PANAMA

(Continued from page 22)

drawal from administration and operation of the canal in no less than 50 years. Although widely differing in their suggested timetables, both governments agree in principle that Panama will reassert her sovereignty and do so in two stages, first over the Zone, and then over the canal. Panama resents the United States military presence and asks for the withdrawal of the Southern Military Command with its 11 bases and 12,000 troops, while the United States seeks to retain those installations for "an additional, specified period of time."

¹⁵ Illueca, "Las Negociaciones sobre el Canal de Panamá," p. 142.

Eventually, Panama hopes to neutralize the canal and secure global recognition for its permanent neutrality. All rational arguments in this nuclear missile age indicate that such neutralization is the only possible viable defense for the canal. Meanwhile, Panama asks that payments for the use of the canal more realistically mirror its value. The United States, in turn, offers to raise the rent to \$25 million a year. Panamanians point out that this figure fails to reflect economic realities, an observation strengthened by the impressive studies of the U.N. Economic Commission for Latin America. As to the question of the construction of any future canals across the Isthmus, Panama prefers first to renegotiate a treaty for the present canal and then discuss separately any agreement on canals which might be built in the future. In that regard—having learned her lessons the hard way—Panama insists that her people alone will select the new routes in accordance with national interests, will exercise all jurisdictional rights and powers over any new canal, and will exclude foreign bases.

Panama's position in these negotiations is firmly rooted in nationalism, the most potent force in Latin America in the second half of the twentieth century and one which the United States Department of State consistently fails to understand or appreciate. Perhaps Jorge E. Illueca, Panama's leading authority in international law, best summarized Panama's goals within the context of nationalism when he concluded: "What Panama desires is a Panamanian canal, run by the Panamanians for the Panamanians to benefit Panama."¹⁵ Only by exerting her effective sovereignty over the Zone and canal will Panama gain the independence she so hopefully proclaimed 70 years ago.

URUGUAY

(Continued from page 30)

Lacking any background in or ideas about how to get the economy moving, he designed narrow and short-lived policies. In answer to the economic demands of the people, he printed money and enlarged the government deficit; in response to political dissent, he adopted a "get tough" attitude which resulted in shutting down of opposition newspapers and in the outlawing of leftist political parties.

Meanwhile, a group of disenchanted peasants and Montevideo leftists had formed the Tupamaro National Liberation Movement.⁴ Frustrated by the unresponsiveness of the Uruguayan political system to people's demands for economic progress and by its inability to continue delivering "the good life," they chose to wage an armed struggle with the purpose of seizing political power. Once in power, they hoped to resolve Uruguay's economic condition by introducing

⁴ Arturo C. Porzecanski, *Uruguay's Tupamaros: The Urban Guerrilla* (New York: Praeger, 1973).

substantial economic reforms under the direction of strong state intervention and planning. Also, they wanted the new government to pursue nationalistic political and cultural goals.

The Tupamaros chose to establish an urban guerrilla group and to operate in and around the capital city, Montevideo. Joined by an increasing number of men and women from Uruguay's middle class (students, employees, professionals), the Tupamaro organization was able to attract many devoted and intelligent people. The guerrillas designed and successfully carried out many ingenious military and political strategies and tactics, and became known in many countries for their daring actions. The Tupamaros tried to embarrass the Uruguayan government and weaken its power and respectability, thus highlighting its impotence and ineptness. President Pacheco tried to isolate the guerrillas by adopting emergency "state-of-siege" powers, banning political gatherings, instituting press censorship, and other similar policies. In the meantime, the country's poorly trained and little motivated police force engaged in the actual counter-insurgency operations.

By the time his term of office was ending (1971), President Pacheco believed that the police were by no means able to control the Tupamaros. Kidnappings, robberies, massive jail breaks, and other propagandistic actions kept the Tupamaros in the spotlight while the government's power continued to deflate. In desperation, Pacheco turned to the armed forces and put them in charge of the counterinsurgency effort. National elections were held and, under charges of electoral fraud, Juan M. Bordaberry, Pacheco's hand-picked successor, became the new President.

A law-and-order man, Bordaberry declared war on the Tupamaros and made it possible for the armed forces to engage in a massive and definitive anti-guerrilla campaign by declaring a "state of war" which effectively cancelled all constitutional rights and individual freedom. The armed forces became free to engage in massive arrests, interrogations, and searches, and to obtain confessions from thousands of Tupamaro members, collaborators, and sympathizers. Consequently, by early 1973 the Tupamaro organization was disbanded and most of its active membership imprisoned.

The military became increasingly disenchanted with and contemptuous of traditional politicians during their struggle against the guerrillas. Heady from their military success, the armed forces staged a "soft coup" when a series of political scandals were discovered in February, 1973. The officers who directed the coup nevertheless allowed President Bordaberry to remain in office although he subsequently had to rule through the chairmanship of a newly formed Security Council, whose members included key ministers (approved by

the military) and the commanders-in-chief of the three armed forces.

During June, 1973, Uruguay took one step which brought it closer to becoming just another military-controlled dictatorship. President Bordaberry, urged by the military, closed Parliament and arrested many legislators from a broad political spectrum.

However, as of this writing, the Uruguayan armed forces have not been able to agree on a political or economic ideology, nor have they been able to find a leader who would mercifully depose President Bordaberry and move the country in some direction or other. Until this happens, Uruguay will continue to behave as a decrepit and sinking ship of state with no captain, an incompetent crew, and a host of hungry passengers.

VENEZUELA

(Continued from page 27)

Times, tourist promotion brochures which used to identify the nation as the northern-most country of South America are now describing it as "the country in the Caribbean."¹⁴

Interest in the Caribbean extends to Cuba. Upon discovering a cache of arms supplied to local guerrillas by Castro, the Venezuelan government severed diplomatic relations with Havana in 1963 and spearheaded the move within the Organization of American States (O.A.S.) to have sanctions applied to the Communist regime by other nations. Now that Cuba's Premier has taken revolution off his export list, Caldera's foreign minister, Arístides Calvani Silva, has been leading the fight within the O.A.S. General Assembly to remove sanctions and allow individual countries—congruent with the precepts of ideological pluralism—to conduct relations with Cuba in accord with their own interests. "There is no reason why, when international organizations such as the United Nations recognize Marxism-Leninism, the American states should not do so,"¹⁵ Calvani has stated.

Although unable to gain O.A.S. approval of her position, Venezuela will almost certainly restore diplomatic ties with Cuba within the next few months—an act that follows increased professional, cultural, and athletic contacts and that may be viewed as the counterpart in foreign relations to Caldera's domestic pacification of the far left. Because of its growing influence in the Caribbean and its aggressive advocacy of ideological pluralism, the Caracas government sees itself playing an increasingly important leadership role among the developing nations.

Despite greater independence and rising economic nationalism, the Caldera administration has maintained its country's traditionally friendly relations with the United States. Unlike the one-sided rela-

¹⁴ April 22, 1973, p. 17.

¹⁵ *Ibid.*

tionship between the United States and many Latin American nations, ties between the United States and Venezuela derive from mutuality: the United States emphatically needs Venezuelan oil and Venezuela genuinely needs United States technology, capital, and exports.

Evidence of this interdependence abounds. In his April 18, 1973, energy message, President Nixon referred to Venezuela as a secure source of oil within the Western Hemisphere. And during a May 14, 1973, visit to Caracas, then-United States Secretary of State William P. Rogers referred to the close ties between his country and Venezuela, stating that the United States was prepared to sign an accord to provide capital and technology to develop the Orinoco tar belt.

Political stability, the demise of guerrillas, the obedience of the military, growing influence in regional affairs, and a windfall in oil revenues—these are factors that inspire optimism about Venezuela's future. Yet, while Democratic Action and C.O.P.E.I. have frequently cooperated in the past, the availability of increased petroleum funds may spark political rivalries that could stalemate Congress and activate the military and guerrillas alike. Inflation and discontent may well attend the initial period of membership in the Andean Group, providing additional headaches for the next chief executive. And the growing urban protest vote—associated with Pérez Jiménez in 1968 and Rangel in 1973—suggests that unless the increased oil monies are used to infuse new life into social programs, the dominant parties may face a serious challenge five years hence from a leftist candidate and coalition that rejects the aspects of an Athenian democracy which today characterize government in Venezuela. Thus, the brightness of Venezuela's prospects should not blind us to the problems that lie just below the surface of daily political life.

CURRENT DOCUMENTS

(Continued from page 34)

United States of America, and in Havana between the Embassy of Switzerland, representative of the interests of the United States of America in Cuba, and the Ministry of Foreign Relations, shall constitute the agreement on the hijacking of aircraft and vessels and other offenses between the Government of the United States of America and the Government of the Republic of Cuba, which shall take effect on the date of this note.

Accept, Sir, the renewed assurances of my high consideration.

WILLIAM P. ROGERS.

The Honorable

JAROSLAV ZANTOVSKY,

Charge d'Affaires ad interim of the Czechoslovak Socialist Republic.

Panama Canal Treaty Negotiations in the U.N.

The United Nations Security Council met at Panama March 15–21, 1973. Following are excerpts from statements made in the Council on March 20 and 21 by U.S. Representative John Scali, together with the text of a draft resolution which was vetoed by the United States on March 21.

I have said that we regret having had to cast a negative vote on the Panamanian resolution because there is so much in it with which we could agree. As I have made clear, we agree with the Republic of Panama on the need to replace the 1903 convention by a totally new instrument reflecting a new spirit, we agree that such a new instrument should not run in perpetuity but should have a fixed term, and we agree on the progressive integration into the legal, economic, social, and cultural life of Panama of even those areas used for the operation and defense of the canal. . . .

We continue to be willing to adjust any differences peacefully and in a spirit of give-and-take. We are, specifically, prepared to continue the negotiations and to carry them forward with good will and seriousness at whatever time the Government of Panama chooses.

Draft Resolution Vetoed by U.S.

The Security Council,

Having considered the question of the Panama Canal under the item entitled "Consideration of measures for the maintenance and strengthening of international peace and security in Latin America in conformity with the provisions and principles of the Charter,"

Recalling that it is a purpose of the United Nations to bring about, in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of the peace,

Bearing in mind that the Republic of Panama is sovereign over its territory and that the free and fruitful exercise of sovereignty by peoples and nations over their natural resources should be fostered through mutual respect among States, based on their sovereign equality [General Assembly resolutions 1514 (XV), 1803 (XVII) and 3016 (XXVII)],

Having heard the statements made before it by the representatives of the members of the Council by Latin American Ministers for Foreign Affairs and by representatives of other States and organizations specially invited,

1. Takes note that the Governments of the Republic of Panama and the United States of America in the Joint Declaration signed before the Council of the Organization of American States, acting provisionally as Organ of Consultation, on 3 April, 1964, agreed to reach a just and fair agreement, with a view to the prompt elimination of the causes of conflict between them;

2. Takes note also of the willingness shown by the Governments of the United States of America and the Republic of Panama to establish in a formal instrument agreements on the abrogation of the 1903 convention on the Isthmian Canal and its amendments and to conclude a new, just and fair treaty concerning the present Panama Canal which would fulfill Panama's legitimate aspirations and guarantee full respect for Panama's effective sovereignty over all of its territory;

3. Urges the Governments of the United States of America and the Republic of Panama to continue negotiations in a high spirit of friendship, mutual respect and co-operation and to conclude without delay a new treaty aimed at the prompt elimination of the causes of conflict between them;

4. Decides to keep the question under consideration.

THE MONTH IN REVIEW

A CURRENT HISTORY chronology covering the most important events of November, 1973, to provide a day-to-day summary of world affairs.

INTERNATIONAL

European Economic Community (Common Market)

Nov. 6—The foreign ministers of the 9 Common Market nations adopt a resolution calling for Israel and Egypt to return to the positions held on October 22, 1973, the day of the U.N. cease-fire in the Middle East.

Nov. 16—French President Georges Pompidou arrives in London for talks with British Prime Minister Edward Heath to discuss the Common Market's future relations with the U.S. and Japan.

International Monetary Crisis

Nov. 2—The value of the Japanese yen drops to 275 to the dollar, the lowest value since last winter's currency crisis.

Nov. 6—in currency markets, the dollar rises to its highest level in 6 months, as fears of Arab oil cutbacks threaten the economies of West Europe and Japan.

Nov. 13—U.S. Chairman of the Federal Reserve Board Arthur F. Burns announces the termination of a 5-year-old agreement between the U.S. and 6 European nations; the agreement prohibited the 7 countries from selling gold on the free market. Participating in the decision to terminate the agreement, made during the past weekend at a meeting in Basel, Switzerland, were the governors of the central banks of Belgium, West Germany, Italy, the Netherlands, Switzerland, the United Kingdom and the U.S.

Nov. 14—Reflecting the recent 7-nation decision to lift the ban on their selling gold on the free market, the price of gold drops sharply in European financial centers.

Nov. 23—*The New York Times* reports that Secretary of the Treasury George P. Shultz of the U.S. and finance ministers from Britain, France, West Germany and Japan are attending a secret meeting in France on reforming the world's monetary system.

Nov. 28—in London and Zurich, gold sells for \$101 an ounce.

Middle East

(See also E.E.C.; Singapore; U.S., Foreign Policy)

Nov. 1—After meeting with U.S. President Richard

Nixon in Washington, Israeli Premier Golda Meir says that she is "reassured" of continued American support for Israel's security.

The U.N. announces the arrival of 12 truckloads of supplies for the encircled Egyptian III Corps on the eastern bank of the Suez Canal.

Israel accuses Egypt of breaking the cease-fire for the 2d consecutive day by attacking Israeli positions along the east bank of the Suez Canal.

Nov. 2—in her first diplomatic contact with the U.S. in a year, Syria's Deputy Foreign Minister Moham Z. Ismail confers with U.S. Secretary of State Henry A. Kissinger in Washington. Kissinger also has been holding discussions with Premier Golda Meir and Egyptian Foreign Minister Ismail Fahmy.

The New York Times reports that Egyptian President Anwar el-Sadat has returned from a 1-day secret mission to confer with President Hafez al-Assad of Syria and Sheik Sabah al-Salem al-Sabah of Kuwait in Kuwait and King Faisal of Saudi Arabia in Riyadh. On his return, Sadat met with President Houari Boumedienne of Algeria.

Nov. 5—the members of the Arab Petroleum Exporting Countries, meeting in Kuwait, announce a 25 per cent cutback in oil production based on September's output; the 25 per cent cutback includes the complete embargoes on shipments to the U.S. and the Netherlands because of their support of Israel. An additional 5 per cent cutback will become effective in December.

Nov. 6—Israel announces that 1,854 soldiers were killed in the Middle East war that began on October 6.

Israel agrees to permit delivery of an additional 50 truckloads of supplies to the Egyptian III Corps.

U.N. delegates report Secretary General Kurt Waldheim's acceptance of offers from the Soviet Union and the U.S. to provide 36 military observers each for the U.N. Truce Supervision Organization in the Middle East.

Secretary of State Kissinger arrives in Cairo for talks with Egypt's President Anwar el-Sadat.

Nov. 8—Under the cease-fire Israel and Egypt accept a package plan as worked out by U.S. Secretary of State Kissinger and Egypt's President Sadat.

Kissinger confers in Amman with King Hussein of Jordan and in Riyadh with King Faisal of Saudi Arabia.

Vice Admiral Daniel J. Murphy, commander of

the U.S. 6th Fleet, tells newsmen that, because of a 90-ship Soviet naval force in the Mediterranean, the fleet remains in the state of alert ordered during the Middle East war.

Nov. 11—Meeting on the Cairo-Suez highway, Major General Aharon Yariv of Israel and Lieutenant General Mohammed Abdel Ghany el-Gamazy of Egypt sign a 6-point cease-fire agreement, negotiated by U.S. Secretary of State Kissinger. Under the terms of the accord, Egypt and Israel agree to observe the cease-fire; to discuss the return to positions held at the time of the cease-fire on October 22, 1973; to allow supplies to reach the city of Suez and to evacuate wounded civilians there; to supply the encircled Egyptian III Corps on the eastern bank of the Suez Canal; to replace Israeli checkpoints on the Cairo-Suez road with U.N. checkpoints; and to exchange all their prisoners of war.

Following the signing, the 2 sides confer on how to implement the first steps of the cease-fire.

Nov. 12—Finnish troops, part of the U.N. Emergency Force, reportedly establish 2 checkpoints on the Cairo-Suez road. They hold them despite an Israeli threat to attack.

Leaders of Palestinian resistance organizations fly to the Soviet Union reportedly to discuss a possible Middle East peace conference and the formation of a Palestinian government-in-exile.

Nov. 14—Breaking a 3-day deadlock, Israeli and Egyptian negotiators agree on the immediate exchange of all prisoners of war, and arrangements for U.N. supervision of checkpoints and Israeli inspection of supply convoys headed for Suez or the Egyptian III Corps. The exchange of a total of 238 Israeli prisoners of war and some 8,400 Egyptian prisoners starts today.

Nov. 15—The first 26 Israeli prisoners, all wounded, arrive in Tel Aviv from Cairo.

U.N. troops supervise supplies for the city of Suez, as Israelis continue to control access roads.

Diplomatic sources report shooting incidents between Syrians and Israelis on the Golan Heights.

A U.N. report confirms an Egyptian complaint that Israel is filling in part of the Suez Canal to construct "what appears to be a causeway."

In a communiqué on talks between Soviet Communist party leader Leonid I. Brezhnev and President Tito of Yugoslavia, the Soviet Union and Yugoslavia affirm that the "lawful national rights" of the Palestinian refugees "must be implemented" as part of a Middle East settlement.

Nov. 18—in Vienna, the Organization of Arab Petroleum Exporting Companies announces that a further 5 per cent reduction of petroleum supplies for Europe in December will not be implemented.

The 5 per cent reduction will apply to other countries, including Japan. The embargo on oil supplies to The Netherlands will continue.

Nov. 19—*The New York Times* reports that Syrian Foreign Minister Abdel Halim Khaddam has told Egyptian President Anwar el-Sadat that Syria will attend a U.N.-sponsored peace conference on the Middle East. Khaddam's 2-day visit to Egypt ended yesterday.

Nov. 20—The Israeli Cabinet meets for 4½ hours to consider Israel's posture in view of the deadlocked negotiations with Egypt over withdrawal of forces along the Suez Canal. The principal reason for the impasse is Egyptian insistence that Israel withdraw unilaterally to positions held on October 22.

Nov. 22—Saudi Arabian Oil Minister Ahmed Zaki al-Yamani threatens to reduce oil production by 80 per cent if the U.S., Japan or Europe should retaliate for Arab oil cuts and boycotts.

At Kilometer 101, the U.N. checkpoint on the Cairo-Suez road, Egyptian and Israeli generals confer on carrying out the 6-point cease-fire agreement of November 11. This is their first meeting in 8 days.

The exchange of prisoners by Israel and Egypt is completed.

Nov. 25—in Tel Aviv, the Israeli Cabinet meets and announces its decision to accept a U.S. proposal that Israel attend peace talks with Egypt, Syria and Jordan on December 18.

Arab hijackers seize a Dutch KLM plane during a flight over the Middle East.

Nov. 26—in Algeria, the conference of Arab heads of state opens. Among those attending are Syrian President Hafez Assad, Egyptian President Sadat and King Faisal of Saudi Arabia.

Nov. 27—in Malta, Arab hijackers, calling themselves members of the Arab National Youth for the Liberation of Palestine, release the 247 passengers and 8 stewardesses on the Dutch jet in exchange for 2 hostages and more fuel.

In closed session, the Arab chiefs of state meeting in Algeria recognize the Palestine Liberation Organization as the sole legitimate representative of the Palestinian people.

The Secretary of the Arab League, Mahmoud Riad, announces that a scheduled additional 5 per cent cut in oil exports for Japan and the Philippines has been rescinded.

Nov. 28—the hijacked Dutch plane lands in Dubai, a Persian Gulf sheikdom.

At the end of the 3-day conference in Algeria, 15 Arab Kings, Sheiks and Presidents announce an embargo on oil exports to Portugal, Rhodesia and South Africa. In a declaration, they state that a Middle East peace is conditional on

Israeli withdrawal from "all the occupied Arab territories."

Nov. 29—In Dubai, 3 Palestinian hijackers surrender the Dutch plane in return for safe-conduct guarantees. They release the remaining hostages. They remain in Dubai; but it is not known whether they are guests or prisoners.

The Egyptian-Israeli talks held on the Cairo-Suez road remain deadlocked over troop withdrawals. No date is set for a new meeting. Egyptian and Israeli forces exchange fire at positions less than 2 miles from the conference tent.

Organization of African Unity

Nov. 19—Emperor Haile Selassie of Ethiopia opens an O.A.U. session in Addis Ababa. The black nationalist movement in Portuguese Guinea is admitted as a member.

United Nations

(See *Intl, Middle East*)

War in Indochina

Nov. 3—At a news conference, Colonel Vo Dong Giang, deputy chief of the military delegation of the Vietcong Provisional Revolutionary government, denies any plan to attack South Vietnam early next year, as South Vietnam President Nguyen Van Thieu recently predicted. In the first such assertion, he reports that Vietcong ground forces have shot down 39 government planes.

Cambodian insurgents reportedly overrun a 2d government outpost near Phnom Penh in less than a week.

Nov. 5—A Cambodian government task force reportedly recaptures the Mekong River town of Prek Luong 4 miles north of Phnom Penh.

Nov. 6—The Vietcong's Provisional Revolutionary government reports rocket retaliation at the Bien Hoa air base for recent South Vietnamese air strikes.

Nov. 7—Cambodian insurgents snare 1,200 Cambodians, about half of them soldiers, fleeing the town of Srang; 700 were slain or taken prisoner.

Nov. 8—in its largest air strike since the January cease-fire, South Vietnamese planes bomb 2 Communist-held areas north of Saigon near Loc Ninh and Bo Duc.

Nov. 11—The Vietcong charges the South Vietnamese government with "extermination bombing" of the Communist-held town of Lo Go, 70 miles northwest of Saigon.

Nov. 24—South Vietnamese military sources report that the South Vietnamese Air Force has struck at Communist positions northwest of Saigon.

Nov. 26—Cambodian troops begin an offensive to

reopen Route 4, which runs from Phnom Penh to Kompong Som.

ARGENTINA

Nov. 22—John A. Swint, general manager of the Ford Motor Company's subsidiary Transax, and his 3 bodyguards are killed in an ambush in Córdoba.

AUSTRALIA

Nov. 4—Prime Minister Gough Whitlam returns from a 5-day visit to China with an agreement to sell China 300,000 tons of sugar a year over a period of from 3 to 5 years—Australia's largest sugar agreement ever made.

AUSTRIA

Nov. 14—Chancellor Bruno Kreisky's decision 2 days ago to set up an aid station for Soviet emigrants en route to Israel at Wollersdorf is protested by the villagers.

CAMBODIA

(See also *Intl, War in Indochina*)

Nov. 19—A Cambodian Air Force fighter plane drops 3 or 4 bombs on the Presidential Palace. President Lon Nol is not harmed; 3 persons are killed. The pilot escapes to an unknown destination.

CHILE

Nov. 3—The military junta executes 4 former officials of the now outlawed Chilean Socialist party.

CHINA

(See *Australia; U.S., Foreign Policy*)

DENMARK

Nov. 8—Premier Anker Jorgensen calls for new parliamentary elections following the narrow defeat of his Social Democratic government on a proposal to increase both the tax rate on accumulated wealth and the tax-free base. Elections are set for December 4.

EGYPT

(See *Intl, Middle East; U.S., Foreign Policy*)

FRANCE

(See also *Intl, E.E.C.; U.K., Great Britain*)

Nov. 2—The government announces price controls over several basic foods and consumer goods.

Nov. 15—to protest price controls, a 24-hour strike by independent shopkeepers closes down more than half a million businesses in France; grocers who went on strike a week ago are expected to return to work tomorrow.

Nov. 23—the French government announces that in January, 1974, it will begin construction of a plant

to make fuel for nuclear power reactors in the 1980's.

Nov. 26—West German Chancellor Willy Brandt confers with President Pompidou at the Elysée Palace.

GERMANY, FEDERAL REPUBLIC OF (West)

(See also *Intl, E.E.C.; France; U.S., Foreign Policy*)

Nov. 3—In Moscow, West German Foreign Minister Walter Scheel, after meeting for 3 days with Soviet Premier Aleksei N. Kosygin, announces that West Germany and the Soviet Union have agreed to work out a compromise formula on how to represent West Berlin's judiciary in East European countries. The opening of West German embassies in East Europe has been delayed pending settlement of this issue.

Nov. 14—President Gustav Heinemann, who will be 75 next summer, announces he will resign at the end of his 5-year term next June "because of my age."

Nov. 17—Chancellor Willy Brandt announces that because of shortages resulting from the Arab oil embargo, the government will prohibit Sunday driving.

Nov. 18—*The New York Times* reports that according to Western and Communist sources, Czechoslovakia has reneged on a proposed agreement with West Germany because of East German pressures. The agreement would have opened the door to resumption of West German-Czechoslovak diplomatic relations.

GREECE

Nov. 17—Greek troops come to the aid of police who are trying to put down an uprising by students at the Athens Polytechnic University. The student demonstrators have seized the campus and are demanding the overthrow of the government.

President George Papadopoulos imposes martial law following student-worker demonstrations. Army tanks and armored personnel carriers successfully dislodge students and workers from the Athens Polytechnic University.

Nov. 18—in Athens, police and anti-government demonstrators continue to fight. The government declares that 9 persons have been killed since violence erupted.

Nov. 25—President Papadopoulos is toppled by a military coup and placed under house arrest. He is replaced by Lieutenant General Phaidon Gizikis. The new leaders dismiss Premier Spyros Markezinis, the commander in chief of the armed forces, and the chiefs of the army, air force and Athens police.

Nov. 26—The new civilian Cabinet appointed by President Gizikis meets for 3 hours. The new military rulers oust top army officers who supported Papadopoulos.

Nov. 28—In a television speech, the new Premier, Adamantios Androutsopoulos, declares that elections will not be held until the country is ready; in the meantime, the military-backed government will rule by decree.

INDIA

Nov. 26—Soviet Communist party leader Leonid I. Brezhnev arrives in India for talks on Indian-Soviet relations. He is welcomed by Prime Minister Indira Gandhi.

Nov. 27—in New Delhi, Brezhnev affirms that "Indian-Soviet friendship is one of the basic principles of our policy."

Nov. 29—Brezhnev and Gandhi sign a 15-year agreement for economic and trade cooperation.

ISRAEL

(See also *Intl, Middle East; Ivory Coast; Japan; U.S., Foreign Policy*)

Nov. 12—in London, Premier Golda Meir urges Prime Minister Edward Heath to help speed the release of Israeli prisoners of war, particularly those in Syria; Syria has not signed the cease-fire agreement.

IVORY COAST

Nov. 8—President Félix Houphouët-Boigny breaks diplomatic ties with Israel; the Ivory Coast is the 27th African government to sever relations with Israel since April, 1972.

JAPAN

(See also *Intl, Monetary Crisis; Korea; U.S., Foreign Policy*)

Nov. 8—Foreign Ministry spokesman Mizuo Kuroda confirms rumors of nonofficial Arab pressure for Japan's support in return for a stable oil supply. He tells newsmen that, while trying to "lean" to the Arab side, Japan will maintain relations and trade with Israel; she will not sell arms to the Arabs.

Nov. 12—Eimei Yamashita, of the International Trade and Industry Ministry, warns that the oil shortage will cut back Japan's economic growth.

Nov. 16—the Japanese government announces an emergency program cutting oil supplies and electricity for industry by 10 per cent. The government asks the public to conserve fuel voluntarily at home, work and on the highways.

Nov. 22—the Japanese Cabinet issues a statement declaring that Japan may have to reconsider her policy toward Israel.

Nov. 25—Premier Kakuei Tanaka appoints Takeo Fukuda to be Minister of Finance; he succeeds Kiichi Aichi, who died 2 days ago.

JORDAN

(See also *Intl, Middle East*)

Nov. 10—King Hussein announces new ministers of finance, economics, and religious affairs in his Cabinet.

KOREA, REPUBLIC OF (South)

Nov. 2—In a settlement over the abduction of former South Korean opposition leader Kim Dae Jung from Tokyo to Seoul in August, 1972, Premier Kim Jong Pil of South Korea presents a letter of apology from Korea's President Park Chung Hee to Premier Kakuei Tanaka of Japan. Tanaka accepts the apology and says a postponed meeting on economic aid will be held before the end of the year.

Nov. 15—In mounting protests against the government of President Park Chung Hee, about 2,000 students at Korea University clash with police.

LIBYA

(See also *Intl, Middle East*)

Nov. 20—Colonel Muammar el-Qaddafi, the leader of Libya, ends 3 days of talks with Yugoslav President Tito.

Nov. 21—*Tanjug* (Yugoslav news agency) reports that Qaddafi and Tito have reached an agreement providing for the exchange of Libyan crude oil for Yugoslav tankers.

Nov. 23—Colonel Qaddafi arrives in Paris to visit; he will reportedly ask France for more and better arms.

NETHERLANDS, THE

(See also *Intl, Middle East*)

Nov. 30—The U.S. State Department announces that the U.S. has told the Dutch government that it is prepared "in principle" to help if a serious emergency results because of the Arab oil boycott of the Netherlands.

SAUDI ARABIA

(See *Intl, Middle East*)

SINGAPORE

Nov. 14—*The New York Times* reports that Singapore, the biggest oil refining center in Southeast Asia, has cut off fuel to American forces in the Pacific because of Arab trade threats.

SPAIN

Nov. 10—In mounting protests within the Roman Catholic Church against a jail specifically for priests convicted of political crimes, some 50 priests begin a sit-in in the Archbishop's offices in Balboa, while 150 occupy the Papal Nuncio headquarters overnight in Madrid.

SYRIA

(See *Intl, Middle East*)

TURKEY

Nov. 13—President Fahri Koruturk asks Suleyman Demirel to form a new Cabinet.

U.S.S.R.

(See also *Intl, Middle East; Germany; India; U.S., Foreign Policy*)

Nov. 23—The Soviet government signs a contract with 2 U.S. companies for the construction of a petrochemical complex.

UNITED KINGDOM

Great Britain

(See also *Israel*)

Nov. 2—The Treasury announces that for the first time since June, Britain's gold and foreign currency reserves rose in October by \$379 million.

Nov. 13—The Bank of England raises its minimum lending rate from 11.25 per cent to a record level of 13 per cent. The Department of Trade and Industry reports a record trade deficit of \$715 million for October.

The government declares a state of emergency because of the energy crisis.

Nov. 14—Princess Anne, only daughter of Queen Elizabeth II, marries Captain Mark Phillips, a commoner.

Nov. 17—in London, French President Georges Pompidou and Prime Minister Edward Heath watch as the British and French foreign ministers sign the treaty for construction of a tunnel in the English Channel connecting England and France.

Nov. 19—The British government issues a directive to reduce deliveries of all petroleum products by 10 per cent. The government also asks the public to give up Sunday driving and to drive at a maximum speed of 50 m.p.h.

Northern Ireland

Nov. 18—Moderate Protestant and Roman Catholic leaders in Northern Ireland meet with British Minister for Northern Ireland William Whitelaw. Whitelaw outlines a British plan for a 12-man coalition executive.

Nov. 20—at a Unionist party council emergency meeting the 750 delegates vote (with only a 10-vote margin) to support former Prime Minister Brian Faulkner's policy of cooperating with Britain in the attempt to set up a coalition Protestant-Roman Catholic government.

Nov. 21—Whitelaw and 3 party leaders in Northern Ireland announce agreement on a Roman Catholic-Protestant coalition executive body to exercise limited self-government.

Nov. 22—Whitelaw gives the British House of Commons the details of the compromise agreement on an 11-member executive body to govern Northern Ireland. Six seats will be held by the Unionist (Protestant) party; 4 seats will be filled by the Social Democratic and Labor party, representing Roman Catholics. One seat is given to the non-sectarian Alliance party. The executive body will be headed by Faulkner.

Nov. 24—A British soldier is killed in a bomb explosion, the 200th British soldier to die in Northern Ireland.

Nov. 27—Faulkner names the other 5 members of his Unionist party who will serve with him on a coalition executive body.

UNITED STATES

Economy

Nov. 2—The Bureau of Labor Statistics reports a drop in October in the nation's unemployment rate, to 4.5 per cent, a 3½-year low.

Nov. 19—Stock prices plummet in the sharpest drop in 11 years because of fears of a recession caused by the energy crisis. The Dow-Jones industrial average falls 28.67 points to 862.66.

Nov. 23—The General Motors Corporation announces that for the work week beginning December 17, some 16 assembly plants in the U.S. and Canada will be closed. This will cut auto production by 3 per cent in 1974.

Nov. 26—The Dow-Jones industrial average falls by 29.05 points, closing at 824.95.

Foreign Policy

(See also *Intl*, *Intl Monetary Crisis*, *Middle East*; *Netherlands*)

Nov. 5—Beginning a 9-country, 10-day trip around the world, Secretary of State Henry A. Kissinger arrives in Morocco.

Nov. 7—Kissinger and Egyptian President Anwar el-Sadat agree to the resumption of U.S.-Egyptian diplomatic relations and to the exchange of ambassadors within 2 weeks.

Nov. 10—Kissinger arrives in Peking for 3 days of talks with Chinese leaders.

Nov. 14—In a joint communiqué signed by Kissinger and Chinese Premier Chou En-lai in Peking, the Chinese declare that full diplomatic ties between the U.S. and China can be established only if the U.S. confirms "the principle of one China."

Nov. 15—in Tokyo, Secretary of State Kissinger concludes 2 days of talks with Premier Kakuei Tanaka and other Japanese leaders, who were reportedly disappointed at not receiving assurances on when to expect full resumption of Arab oil exports.

Nov. 16—Kissinger returns from his round-the-world trip.

Nov. 20—*The New York Times* reports that 2 officials who read the note from Soviet Communist party leader Leonid I. Brezhnev to the U.S. on October 24 have revealed that it contained an indirect rather than an actual threat. This note, part of a series of Soviet-U.S. exchanges, precipitated the calling of the precautionary alert in October. The note reportedly urged a joint Soviet-American expeditionary force be sent to the Middle East; if the U.S. should refuse, the Soviet Union declared that it "may be obliged to consider acting alone."

Nov. 21—at a news conference, Kissinger declares that the U.S. will not change its Middle East policies because of the Arab oil embargo; he warns that the U.S. will consider "countermeasures" if the embargo goes on "unreasonably and indefinitely."

Government

Nov. 1—in a fact-finding hearing on the 2 missing Watergate tapes, Chief Judge John J. Sirica of the federal district court in Washington, D.C., hears testimony from J. Fred Buzhardt, Jr., special counsel to President Richard M. Nixon, that "all the tapes made on the White House system are still in existence in their entirety." In a revised explanation of why one tape is missing, Buzhardt says that the tape ran out before a conversation between the President and his former counsel John W. Dean 3d occurred on April 15. Yesterday, the President's lawyers claimed that the tape recorder functioned improperly and failed to record the conversation.

President Nixon nominates Senator William B. Saxbe (R., Ohio) to be U.S. Attorney General. Acting Attorney General Robert H. Bork announces that, with President Nixon's approval, he has appointed Leon Jaworski (a Texas Democrat) as Watergate special prosecutor. Bork says Jaworski will have "no restrictions placed on his freedom of action" in regard to obtaining the release of presidential documents. According to Bork, the special prosecutor will not be dismissed by the President without the approval of a "substantial majority" of 8 congressional leaders selected by Bork.

Nov. 2—Stephen B. Bull, a special assistant to the President, testifies in federal district court that President Nixon learned of the 2 missing Watergate tapes on September 29, a month before his lawyers admitted the loss in court.

Nov. 4—On a nationwide television program, Senator Edward W. Brooke of Massachusetts becomes the first Republican Senator to urge publicly that President Nixon resign.

Nov. 5—Leon Jaworski is sworn in as Watergate special prosecutor; he replaces Archibald Cox.

The Senate votes approval (69-12) of a \$21.3-billion weapons procurement bill, which includes

funding for the operation of public health service hospitals, vetoed under the emergency medical services bill last July. The bill now goes to the President.

In Washington, D.C., Federal District Judge Gerhard A. Gesell sentences Donald H. Segretti, campaign assistant to White House aides, to 6 months in prison for playing "dirty tricks" in the Democratic presidential primary in Florida in 1972.

Nov. 6—Acting on a U.S. request for the extradition of fugitive financier Robert L. Vesco to face a charge of fraud, the Royal Bahamian police arrest Vesco in Nassau. Vesco has also been indicted on charges of conspiracy, obstruction of justice and perjury with regard to a \$200,000 contribution to President Nixon's reelection campaign.

The New York Times reports that the trucking industry gave the largest single-industry gift of more than \$600,000 to the Nixon reelection effort while it was fighting a government proposal that would have created more competition for highway shippers.

Nov. 7—In a televised address, President Nixon proposes a program to deal with the energy crisis, asks Congress for discretionary powers to cope with the oil shortage and says he intends to remain in office.

For the first time in 9 reversal attempts, both houses of Congress vote to override President Nixon's veto of the bill limiting presidential power to commit the armed forces to hostilities abroad without congressional approval. The vote of the House of Representatives was 4 more than the required two-thirds; that of the Senate, 13 more.

Nov. 8—President Nixon's personal secretary, Rose Mary Woods, testifies in federal district court before Judge Sirica that she has been unable to prepare full transcripts of the Watergate tapes because of the poor quality of some of them.

Nov. 9—In "the lowest minimum . . . justified," Judge Sirica sentences E. Howard Hunt, a convicted Watergate conspirator, to from 2½ to 8 years in prison and fines him \$10,000; sentences James W. McCord, Jr., former security coordinator for the Republican National Committee and the Committee for the Reelection of the President to a 1- to 5-year term; and gives lesser sentences to the 4 others apprehended in the break-in of Democratic National Headquarters at the Watergate complex in Washington, D.C., in June, 1972.

Nov. 12—At Judge Sirica's fact-finding hearings on the missing tapes, President Nixon offers, through his lawyers, to furnish Judge Sirica with his own handwritten notes and background information on the 2 missing Watergate tapes. In a statement, President Nixon reports that his dictation belt with a summary of the April 15 meeting is missing; last week he promised to provide the belt.

In Washington, D.C., Federal District Judge George L. Hart, Jr., fines the Braniff International Airways, Inc., the maximum \$5,000 penalty and its chairman, Harding L. Lawrence, the maximum \$1,000 fine for an illegal \$40,000 corporate cash contribution to President Nixon's 1972 reelection campaign.

Nov. 14—Beginning a series of meetings to help restore public confidence in him, President Nixon meets with 75 congressmen at the White House. He warns against demands for his impeachment or resignation.

Orin E. Atkins, president of the Ashland Oil Company, and Claude C. Wild, Jr., vice president for governmental affairs of the Gulf Oil Corporation, testify before the Senate Watergate committee that the then Secretary of Commerce Maurice H. Stans told them that large corporations were expected to contribute \$100,000 to the President's reelection campaign; that they arranged for the illegal gifts through foreign subsidiaries. Pleading guilty before U.S. District Judge Hart yesterday, the companies were fined the maximum of \$5,000 and the officers \$1,000.

Judge Sirica refuses President Nixon's offer of additional tapes, saying that the court's role is to enforce the grand jury's subpoena of particular Watergate materials.

In a lawsuit brought by 3 U.S. congressmen, Judge Gerhard A. Gesell, rules that the dismissal of Archibald Cox as Watergate prosecutor was illegal.

Following the hurried passage of the Alaskan pipeline legislation yesterday, the Senate approves a second energy measure, the Emergency Petroleum Allocation Act of 1973, by a vote of 83 to 3; the bill, requiring the President to allocate crude oil and refined petroleum products, including gasoline, goes to the President.

Nov. 15—Executives of Braniff International, American Airlines and Goodyear Tire and Rubber Company tell the Select Senate Committee on Presidential Campaign Activities how they channeled corporate funds to hide illegal gifts to the 1972 presidential reelection campaign.

Nov. 16—President Nixon signs the Alaskan pipeline bill authorizing the 789-mile pipeline from Prudhoe Bay on the North Slope to Valdez, a warm water port.

Nov. 17—at Disney World, Florida, President Nixon holds a one-hour question and answer session with 400 conferees at The Associated Press Managing Editors annual convention. Fielding questions, he declares that he has never profited from his political office and that he is "not a crook."

Nov. 19—The Senate approves the National Energy Emergency Act, giving the President broad powers

to enforce fuel conservation measures to alleviate the energy shortage. The bill goes to the House.

Nov. 21—In federal district court in Washington, D.C., J. Fred Buzhardt, Jr., White House special counsel, tells Chief Judge John J. Sirica that one of the subpoenaed Watergate tapes has 18 minutes missing in the middle of it. Buzhardt declares that the White House has not been able to determine why the 18 minutes were unrecorded. Judge Sirica says that he will ask President Nixon to place the tapes in the custody of his court to assure "that nothing else happens." The tape containing the inaudible section covered a conversation between President Nixon and H. R. Haldeman (former White House Chief of Staff) 3 days after the Watergate burglary. John D. Ehrlichman, former chief presidential adviser on domestic affairs, has testified that early in the morning of June 20, he and Haldeman conferred with high-ranking principals implicated in the Watergate case just before the meeting between President Nixon and Haldeman.

In the federal district court for the District of Columbia, Judge Joseph C. Widdy orders the Nixon administration to release \$380 million in impounded funds that were appropriated for educational purposes.

Nov. 25—In a television speech, President Nixon asks Congress for authority to establish energy conservation programs. Under his plan, gasoline stations will not be permitted to sell gas on Sunday, the maximum speed limit for cars will be 50 m.p.h., gasoline production will be cut back 15 per cent. Heating oil deliveries for homes will be reduced by 15 per cent; for stores and other commercial enterprises by 25 per cent; for industrial users, by 10 per cent. The Sunday sales ban will not become effective until Congress completes action on the National Energy Emergency Act. The President asks filling stations to close voluntarily next weekend.

Nov. 26—Appearing before Judge Sirica, Rose Mary Woods, President Nixon's personal secretary, testifies that she mistakenly pressed the wrong button on her tape recorder and caused an 18-minute "gap" or erasure in one of the subpoenaed Watergate recordings. The White House hands over to Judge Sirica the Watergate tapes and other materials.

President Nixon addresses the biennial convention of the Seafarers International Union in Washington; he declares, apropos of the Watergate scandals, that he will stay at the helm until he has brought "the ship into port."

Nov. 27—The Senate approves, 92-3, the nomination of Gerald R. Ford as the 40th Vice President of the U.S. Final House action is awaited.

President Nixon signs the Emergency Petroleum

Allocation Act of 1973, requiring him to establish oil allocation programs in view of the fuel shortage.

Nov. 28—J. Fred Buzhardt, President Nixon's lawyer, testifies in federal district court before Judge Sirica that each of the subpoenaed Watergate tapes has a "number" of blank sections lasting several minutes each.

Nov. 29—Dwight L. Chapin, former appointments secretary to President Nixon, is indicted for perjury in the Watergate scandals. The charges were brought by Watergate Special Prosecutor Jaworski.

In Miami, Florida, sources disclose that a former executive of a bank headed by Charles G. Rebozo (a close friend of President Nixon's) has told state authorities that President Nixon purchased a \$100,000 certificate of deposit about 3 years ago; this was at about the same time that Rebozo received final payment of a \$100,000 political contribution from Howard R. Hughes, the billionaire.

Nov. 30—Egil Krogh, Jr., formerly head of the White House "plumbers," pleads guilty in federal district court to a civil rights violation; the violation was committed in connection with the burglary of the office of the psychiatrist who treated Daniel Ellsberg, responsible for releasing the Pentagon Papers to the public.

Military

Nov. 19—The Defense Department announces that the U.S. has cancelled the military alert for the 6th Fleet.

Politics

Nov. 20—at a meeting of Republican governors in Memphis, President Nixon declares that he will provide information about Watergate, his personal finances and other charges of scandal that will dissipate public doubts about him.

Science and Space

Nov. 16—Skylab 3, carrying 3 astronauts, is successfully launched.

Nov. 17—the crew of Skylab 3 boards the orbiting Skylab space station to begin an 84-day mission.

Nov. 22—Two Skylab 3 astronauts repair a jammed radar antenna and carry out other tasks during a record 6½-hour spacewalk.

VIETNAM, REPUBLIC OF (South)

(See *Intl, War in Indochina*)

YUGOSLAVIA

(See *Intl, Middle East, Libya*)

ZAIRE

Nov. 30—President Mobuto Sese Seko announces the nationalization of all foreign agricultural companies; he promises compensation for their seizure.



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